FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,971 | Friday July 4 1986 | D 8523 B

ITT's Araskog stuns his critics, Page 6

World news

Norway agrees to halt whaling

Norway decided to halt commercial whaling on a temporary basis next year under threat of a boycott by the US of its fish and fish products. However, it will continue to catch whales for "scientific" purposes.

The Norwegian Government still does not believe that the extent of its whaling constitutes a threat to tha existence of whales and expects an assessment before 1990 from the *International Whaling Commission* on bow many can safely be caught without endangering the species.

About 800 jobs depend on the 400 whales that the Norwegians are allowed to catch, and it is one of the most important economic activities in some of the small coastal communities. Page 2

Mitterrand signs

French President François Mitterrand signed into law the first package of economic measures, including plans for the privatisation of some state companies, put forward by the right-wing Chirac Government.

Giraud meets Shultz

French Defence Minister Andre Giraud, who is conducting a review of French defence policy, held talks with US Secretary of State George Shultz on his second day of discussions in Washington.

Striking accord

Millions of Lebanese Christians and Moslems displayed a rare unity when they joined a general strike to protest against civil war and mounting economic crisis. Page 18

Turkish sentences

A Turkish military court sentenced four leftist militants to death on charges of trying to overthrow the state and killing 15 people.

Assembly dissolved

The Emir of Kuwait dissolved the national assembly and suspended some articles of the constitution after the cabinet resigned.

Ariane report

The commission investigating the crash on May 30 of a European Ariane-2 rocket with a $50m telecommunications satellite on board has failed to identify the precise cause of the accident while confirming it was a problem with the ignition.

Bavaria ban row

The weekend ban by Bavaria on Austrian anti-nuclear protesters looks like blowing up into a full-scale row with the involvement of the state's Prime Minister, Franz Josef Strauss. Page 2.

Cabinet under fire

Peruvian opposition parties of the left and right joined to demand the resignation of the Cabinet over the executions committed in the crushing of rebel prison mutinies.

Airline shut down

The Argentine state airline, Aerolineas Argentina, was shut down for the second day by pilots striking for better pay and conditions.

PR comes to China

China opened its first public relations company. China Global Public Relations Company with a staff of 40 is a subsidiary of the official New China News Agency.

Mandlikova wins

Hana Mandlikova (Czechoslovakia) beat *Chris Evert Lloyd* (US) 7-6, 7-5, in the Wimbledon women's singles, and will meet Martina Navratilova (US) in the final.

Upset over rum

Caribbean rum producers are upset over a European Commission proposal aimed at easing curbs oo rum production in Europe.

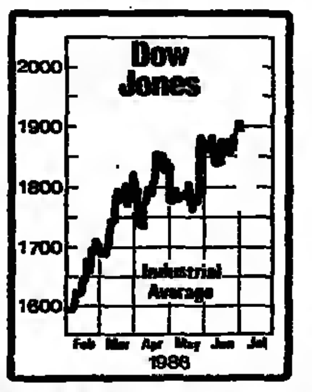
Business summary

US–Japan talks on chips break up

SEMICONDUCTORS: Crucial trade talks between the US and Japan broke up without a settlement of the bitter dispute; although some issues were resolved, major stumbling blocks remained that could jeopardise a final resolution. Page 18

TOKYO stocks advanced moderately taking the Nikkei average 21.88 higher to a record 17,691.80. Page 42

LONDON equities edged lower amid disappointment over the market debut of Morgan Grenfell shares. The FT Ordinary index slipped 0.9 to 1,365.7. Page 42



WALL STREET: The Dow Jones industrial average closed 8.18 down at 1,900.87. Page 42

DOLLAR fell in London to DM 2.1735 (DM 2.1885); FFr 6.95 (FFr 6.9825); SFr 1.7670 (SFr 1.7835), and Y 161.35 (Y163.35). On Bank of England figures the dollar's index fell to 113.6 from 114.1. Page 35

STERLING rose in London to $1.5460 ($1.5370). It also rose to FFr 10.7450 (FFr 10.7325), but fell to DM 3.36 (DM 3.365); SFr 2.7325 (SFr 2.7425), and Y249.50 (Y251.00). The pound's exchange rate index was unchanged at 76.2. Page 35

GOLD rose $0.75 to $344.00 on the London bullion market. It also rose in Zurich to $344.00 from $343.40. The New York Comex was closed. Page 34

MEXICO made a regular inteest payment of about $96m to its commercial bank creditors in spite of speculation it might not service in full its $98bn foreign debt.

BUNDESBANK left its key interest rates unchanged, coofounding speculation that they might be raise to help rein in excessive money supply growth. The discount rate stays at 3.5 per cent and the Lombard rate at 5.5 per cent. Page 2

NEW ZEALAND'S Labour Government is to sell off one third of the state-owned Bank of New Zealand to the public. Page 19

ALLIANZ, West Germany's largest insurance concern, is to seek shareholders' approval to issue up to 10m "profit sharing certificates" worth DM 2bn ($914m) in stages following its October annual meeting. Page 19

ASSITALIA, one of Italy's leading state insurance companies, is to raise around L250bn ($167m) by means of a share issue to be offered both on the Milan bourse and in London. Page 19

CITY SECURITIES debt-ridden Singapore broking house, won an interim court injunction protecting it from 23 bank creditors following the collapse of a rescue initiated by Sun Hung Kai Securities of Hong Kong. Page 20

AMERICAN EXPRESS Bank has bought a 40 per cent stake in International Corporate Bank (Interbank) of tha Philippines for $16m. Page 20

FORD of West Germany, an offshoot of the US motor group, sharply cut its 1985 loss and expects to return to profit this year. Page 19

ELDERS Resources, energy and mining affiliate of Mr John Ellicott's Elders IXL, revealed a vigorous piece of year-end portfolio rearrangement with the A$112.2m (US$72.5m) sale of its 15 per cent holding in Kidston, the north Queensland mine which is Australia's biggest gold producer. Page 19

Leutwiler quits as South Africa debt mediator

BY PETER MONTAGNON IN LONDON AND ANTHONY ROBINSON IN JOHANNESBURG

DR FRITZ LEUTWILER, former chairman of the Swiss central bank, has resigned as independent mediator between Sonth Africa and its commercial bank creditors.

His resignation kindled fresb worries among international bankers about South Africa's ability to service its $24bn foreign debt. Mr Barend du Plessis, Pretoria's Finance Minister, meanwhile moved yesterday to calm an earlier storm created by warnings from Dr Denis Worrall, ambassador in London, that full-scale economic sanctions could force South Africa to consider not repaying creditors.

Dr Leutwiler decided to quit shortly after South Africa declared a nationwide state of emergency three weeks ago. His resignation reflects his disappointment over the country's failure to move towards fundamental political reform. The announcement was, however, delayed until after Dr Leutwiler had left on holiday.

An interim debt restructuring agreement between South Africa and its creditors negotiated in March was designed to give the country a breathing space to work towards political reform. "The Government did not take that opportunity, or at least did not take it seriously enough," Mr Erich Heini, a spokesman for Dr Leutwiler, who noew heads the Brown Boveri, engineering group, said in Switzerland yesterday.

The agreement extends until June next year the repayment maturity of some $10bn in short-term foreign debt, although South Africa agreed to make a down-payment of $500m as a gesture of goodwill.

Bankers said Dr Leutwiler's departure was a psychological blow, though it was not unexpected and working arrangements are in place for continued contact with Pretoria. Dr Leutwiler bad played an invaluable role in conceiving the agreement but this was at a cost of strained relations with some of South Africa's main creditor banks, they added.

After three days of embarrassed official silence Mr du Plessis has, meanwhile, responded to Dr Worrall's remarks made before a British House of Commons committee.

"Dr Worrall's statement that South Africa might consider reneging on its foreign debts if crippling sanctions were applied by other Western nations must be seen in its proper context as a statement of fact rather than a threat," Mr du Plessis' statement began.

"A country that is prevented from exporting will obviously not be able to earn foreign exchange required for meeting its other financial commitments." But the statement concluded "South Africa has up till now scrupulously complied with all the obligations it accepted under the interim arrangement for repayment of its foreign debt and intends to continue to do so."

Total capital repayments on foreign debt this year are budgeted at some $2.1bn, including the $500m down payment to bank creditors. The remainder is taken up with repayments to creditors such as the International Monetary Fund, trade creditors and bond holders whose loans were excluded from the debt repayment freeze introduced on September 1 last year.

In order to bonour these commitments the authorities budgeted to run a capital account surplus of between R5bn and R6bn ($1.15bn–$1.4bn) this year. Despite heavy oil imports, which pushed the import bill up by 22 per cent over the first quarter, South Africa has continued to run a strong trade surplus over the first five months of this year

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Background, Page 3

New EEC budget crisis threat after court ruling

BY QUENTIN PEEL IN BRUSSELS

EMERGENCY meetings of the EEC's budget and finance ministers have been summoned for next Monday to head off a new Community budget crisis, following yesterday's decision by the European Court of Justice declaring the 1986 spending plans illegal.

The court's ruling, that the budget should never have been signed by the President of the European Parliament, Mr Pierre Pflimlin, has set in train a hectic series of negotiations to finalise a new budget by the end of next week.

Mr Henning Christophersen, the European Commissioner responsible, warned immediately that failure to agree would cause "the most serious budgetary crisis in the Community's history."

He published new proposals for a budget totalling Ecu 35.1bn ($34.5bn) to replace the Ecu 33.3bn version disallowed by the court, and provide extra money for increased farm export subsidies and spending on the social and regional funds.

The key to a swift solution to the crisis – the first major headache for the new Britisb presidency of the EEC – is whether the budget ministers can agree on the extra spending, and settle the sum of Ecu 629m still in dispute between them and the parliament.

The court ruling backed the case of the Council of Ministers – the decision-making body of the 12 member-states – that the parliament had exceeded its powers by approving a budget without final agreement with the budget ministers.

The European MPs had added the Ecu 629m mainly for social and regional spending, arguing that the member-states were not providing enough cash to meet long-standing policy commitments.

The court rejected a proposal by the Council that the final budget should be the ministers' own Ecu 32.7bn version – and ordered the two institutions to get together again to reach agreement, as required by the Treaty of Rome.

The judgement amounted to an implicit reprimand for both institutions for failing to try barder to reach agreement, when they were separated by a relatively small amount.

It will mean that the EEC has to function on sharply reduced contributions from the member-states until a new budget is agreed – which will cause very real problems if a deal cannot be struck in the course of next week's session of the European Parliament.

The contributions would be based on the system of "provisional twelfths", or monthly payments of one-twelfth of the 1985 budget, which totalled only Ecu 26.7bn and included only 10 member-states.

One official described the situation as a "legal quagmire", and others warned that it could mean cutting off all payments from Spain and Portugal, and putting a stop to all new recruitment from those countries.

The new budget proposals include an extra Ecu 915m for farm spending, mainly the cost of higher export subsidies because of the declining world dollar prices for EEC exports. A sum of Ecu 750m has been allowed for the heavily-overcommitted social and regional funds.

The embarrassing part for the British presidency is that the third major element is to allow an extra Ecu 500m rebate for Britain because of excess payments and lower-than-expected receipts

Background, Page 2

Rome Premier choice delayed

BY ALAN FRIEDMAN IN MILAN

CONTINUING DIFFERENCES between Italy's Christian Democrats and the Socialist Party of Mr Bettino Craxi, the Prime Minister, last night caused President Francesco Cossiga to delay his planned announcement of a decision designed to resolve Italy's sixday-old government crisis.

It had been expected that President Cossiga would ask Mr Craxi or a Christian Democrat leader to try and form a new government. The five-party Craxi Government, Italy's longest-lasting since the second world war, fell last Friday, when the Prime Minister resigned, following a parliamentary defeat.

News of the delayed Cossiga decision came early yesterday evening, along with speculation in Rome that instead of giving Mr Craxi or a Christian Democrat the brief to form a government, the Italian President might instead give an "exploratory mandate" to Mr Amintore Fanfani, President of the Senate, to negotiate a compromise between Mr Craxi and Mr Ciriaco De Mita, the Christien Democrat leader who is also the Prime Minister's arch-rival.

The central difficulty emerging over the past 24 hours has been the apparent unwillingness by Mr Craxi to accept what the Christian Democrats are calling a "seven-year pact." This proposal, from Mr De Mita, would allow Mr Craxi to contime in office until the end of the current parliament in 1988. In exchange, Mr Craxi would be required to pledge his support for a Christian Democrat Prime Minister for the whole of the next Parliament, from 1988 to 1993.

Hardly anyone expects Mr Craxi to agree to such a deal. Even if he did, it is difficult to imagine a commitment given in 1986 which would be maintained until 1993.

Last night, Mr Craxi and Mr De Mita were meeting in Rome to discuss the crisis. The meeting will have been especially difficult because the two men, despite being partners in the five-party ruling coalition, are said to be barely on speaking terms.

If last night'a Craxi-De Mita talks have been successful, then President Cossiga could give the so-called "exploratory mandate" to Mr Craxi or could ask him to try and form a new government. This could happen as early as today.

Alternatively, the Rome crisis could drag on over the weekend with the "exploratory mandate" being given to Mr Fanfani, who is not only President of the Senate but also an experienced politician

Britain shelves plan to sell water utilities

By Richard Evans, Peter Riddell and Lucy Kellaway in London

THE BRITISH government has postponed the sale of the 10 regional water authorities in England and Wales, a flotation that promised to be the most complex and contentious of all its planned privatisation measures.

The decision, which took politicians and the water industry by total surprise, was made by the cabinet yesterday on the advice of Mr Nicholas Ridley, Environment Secretary.

In a parliamentary written answer Mr Ridley reaffirmed the government's intention to proceed with water privatisation, expected to rase between £5bn and £7bn ($7.7bn – $10.7bn), "as soon as practicable." In practice, this means there will be no legislation to enable a sale to take place before the general election.

The postponment is a bumiliating blow to the Thatcher government and to its privatisation plans. It comes after teb delay in the flotation of British Airways and the cancellation of plans to sell off the armaments-manufacturing Royal Ordnance factories and it represents a major change of policy.

The reason given by Mr Ridley for the delay was that more time was needed to prepare the massive water privatisation Bill whicb would have been the major item in the government's programme.

The decision to postpone apparently reflects a rethinking by Mr Ridley following his appointment six weeks ago, based partly on the numerous difficulties still to be overcome and partly on widespread Conservative members of Parliament worries among at the political impact the sale of such a basic monopoly could have.

The postponment also reflects the desire of the government's business managers to clear the decks for a general election by having a straightforward and lighter than usual legislative programme in the next session.

However, a short Bill is likely next session to give further powers to enable the water authorities to prepare themselves for privatisation.

This would also enable the govrnment to meet anxieties raised by the court action brought by Nalgo, a leading water industry trade union, against Thames Water, the biggest and most profitable authority, claiming that it had acted *ultra virea* by spending mone oo privatisation without the backing of parliamentary legislation.

British Gas sale prospects, Page 8

CGE to seek more partners for ITT deal

BY DAVID MARSH IN PARIS

CGE, the French state-owned electronics and engineering group, is negotiating with other European companies to try to win further backing for its joint telecommunications venture with ITT of the US.

The ITT-CGE accord, which was announced on Wednesday night, will create the world's second largest telecommunications group.

CGE is making clear its wish to find more partners for a European holding company, joined already by Telefonica, the Spanish state telephones concern, and Sociète Genèrale de Belgique, the Belgian financial group. The holding company, in which CGE will have a stake of at least 50 per cent, will own 70 per cent of a new group with turnover of $9.6bn, linking the telecommunications activities of ITT and CGE.

CGE bas strong hopes of finding a West German partner to join the holding company, backing up its newly developed interests in the Federal Republic througb Standard Elektrik Lorenz, the present ITT subsidiary.

The ITT-CGE accord bas to be approved by the French Government, wbich is expected to make a decision by the end of the month.

Mr Alain Madelin, the Industry Minister, will be examining especially the financial aspects of the deal, officials said yesterday. This reflects both the Government's present role as 100 per cent shareholder of CGE as well as its desire that the ITT deal should not give CGE extra burdens which would affect its planned denationalisation over the next few years.

Under the ITT deal, CGE's cash outlay could be as low as between $300m and $700m although it will also be taking on unspecified quantities of debt. SGE believes that this will not significantly affect its ability to be sold back to the private sector.

The company, which made group net profit of FFr 1.19bn ($171m) last

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1985 WORLDWIDE TELECOMMUNICATION EQUIPMENT MARKET
Switching, transmission, PBXs, telephones

Company	per cent of market
AT&T (US)	31
ITT (US)	12
Siemens (Germany)	11
GTE (US)	7
NEC (Japan)	7
Northern Telecom (Canada)	7
Ericsson (Sweden)	7
Hitachi (Japan)	5
CGE/Alcatel (France)	2
Other	11
Total Sales	$34bn

Source: Northern Business Information

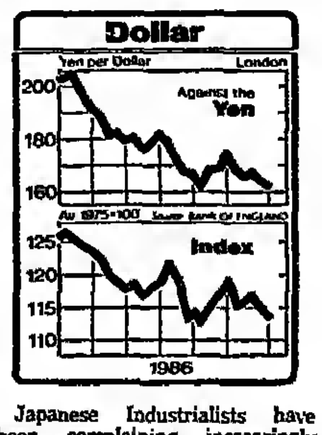
Japan fails to stem fall of $

By Robin Pauley in London

LARGE-SCALE intervention by the Bank of Japan yesterday was unable to restrain the yeo, whose bigh value against the dollar now poses a serious political problem only days before Sunday's geoeral election.

The yen has been rising steadily against the dollar all week, and closed in Tokyo yesterday at Y161.7 compared with Y163.9 on Wednesday and Y165.85 last Friday.

The Bank of Japan spent around $1.5bo on the US currency yesterday in a vain attempt to stop its fall. The bank has spent between $2bn and $3bn this week alone trying to keep the dollar-yen rate steady in the last week before the election, but the yen has already appreciated by a further 2.5 per cent since Mooday.



Japanese Industrialists have been complaining increasingly loudly about the extent to which the high value of the yen is ruining their competitiveness in international markets. Its continued rise thia week has embarrassed Mr Yasuhiro Nakasone, the Prime Minister, who is seeking a new term of office.

However, the Japanese autborities

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EUROPEAN NEWS

West German rates unchanged as money supply growth eases

BY JONATHAN CARR IN FRANKFURT

THE WEST GERMAN Bundesbank has left its key interest rates unchanged, confounding earlier market speculation that the rates might be raised to help rein in excessive growth of money supply.

As a result of the decision yesterday by the policy-making central bank council, the discount rate stays at 3.5 per cent and the Lombard rate at 5.5 per cent. The former has not been altered since March and the latter not since last August.

The Bundesbank's president, Mr Karl Otto Poehl, said the growth of central bank money supply was still exceeding the target range set for 1986 of between 3.5 per cent and 5.5 per cent, but the situation was improving.

Most recently, money supply has been increasing at a rate of 6.5 per cent, after 7 per cent in May, 8 per cent in April—and markedly higher rates in the first months of the year. Mr Poehl said he hoped money supply would be back in the "target corridor" by the end of the year, but announced no extra policy measures to help achieve this.

Mr Poehl also noted that the D-mark was now somewhat stronger within the European Monetary System than it had been in months after the realignment in April. Both these factors—excessive money supply growth and the relative weakness of the D-mark—have told against any interest rate cuts by the central bank, and recently there has even been speculation of a tighter policy.

Despite the latest improvements on the money supply and currency fronts, Mr Poehl also made clear that the Bundesbank saw no reason "at present" for cuts in the discount and lombard rates.

The bank was under "almost daily" pressure, notably from abroad, to cut rates, on the grounds that this would help stimulate the West German economy and draw in more import. But he pointed out that West German rates were already low and prospects for economic growth good, thanks to strong industrial investment and a likely boost in consumer demand caused by tax handouts and the drop in the oil price.

Mr Poehl also rejected the argument that West Germany's big current account surplus (DM 30.3bn in the first five months) meant rates should be cut to help boost economic growth. Most recently, he said, imports had been growing more strongly than exports. It was only favourable terms-of-trade, caused above all by the drop in the oil price, which produced a big surplus in nominal terms.

On other matters, Mr Poehl confirmed that the Bundesbank expected a much smaller profit of perhaps around DM 7bn (£2.07bn) this year after one of DM 12.9bn in 1985. The reasons were lower interest rates and the fall of the dollar against the D-mark.

The Bundesbank puts a lot of its reserves into dollar-denominated investments, so that interest income expressed in D-marks automatically falls when the US currency weakens.

Pressure for US rate cut, Page 4

Historical precedents called up to back Council of Ministers' case against the Parliament's

King James's ghost hovers over EEC budget battle

Quentin Peel reports on the implications of the European Court's ruling on who controls the Community's purse-strings.

MR FEDERICO MANCINI, advocate-general of the European Court of Justice, was in no doubt about the importance of the latest struggle for power over the purse-strings of the European Community.

"Who does not remember the trial of strength between the House of Commons and James 1?" he demanded of a somewhat startled court room when he delivered his opinion last month on the constitutional case between the European Parliament and the Council of Ministers over who can determine the EEC budget.

"The Parliament's strategy is inspired by the history of Western institutions," he said. "The greater its influence in determining the budget, the less resistible will be its requests for new powers and, by the same token, for greater democracy in the Community system.

Harking back to such historical precedents, yesterday's judgment of the Court must amount to one up for the Royalists.

The Court ruled that the European Parliament—or more specifically its president—had exceeded its powers in deciding that the current year's Community budget was final, when it did not have the blessing of the 12 EEC member states in the Council of Ministers.

Implicitly, the judgment went further, however. The Court was metaphorically knocking together the heads of the two institutions, telling them to face up to their own political responsibility to agree on an annual budget, and not come running to the Court to sort out their failures.

The judgment is constitutionally important for the future of the Community in clearly defining, and setting limits on, the budgetary powers of the directly-elected parliamentarians. They can do no more than add a very limited margin of extra spending to the plans proposed by the member states—unless both sides specifically agree to exceed it.

At the same time, the Court underlined its own independence and status as an arbiter of the EEC constitution, the Treaty of Rome, by rejecting the efforts by both sides to drag it into political debate.

The case, brought by the 12-nation Council of Ministers against the Parliament, was rushed through the normally laborious court procedures in record time, to prevent EEC finances from being left in limbo too long. It is now up to the two institutions, the two legal arms of the EEC budget authority, to agree on a new budget by the end of next week if they are to prevent real problems disrupting current spending programmes.

The essence of the case was that the Parliament had exceeded its powers by adding too much money to the budget last December, without the agreement of the budget ministers.

The Parliament retorted that the Council was itself responsible for the conflict, by failing to include enough money in the budget for spending commitments legally entered into: mainly to the Community's regional and social funds, and to the new member states, Spain and Portugal. The budget fulfilling their political and moral, if not legal, responsibility in adding back the necessary cash.

was therefore inadequate, the MEPs claimed, and they were

The trouble is that in the EEC, the neat distinction between King and Commons used by Mr Mancini is not so clear.

The Council of Ministers would argue that it is the member states which collect and contribute the revenues to the Community's budget. It is they who are in fact the taxpayers, therefore, and so are entitled to a greater share in the decision-making.

The Court has concluded that the whole process is two-sided, in which both institutions must play their role, and indeed try harder. "The Court is left with the clear impression that the respective positions taken by the two institutions could hardly have constituted a serious obstacle to the possibility of arriving at an agreement," it said.

When the Parliament tried to argue that it was "illegal" for the Council to fail to allow enough in the budget for the backlog of spending commitments—the so-called "burden of the past," the Court refused to be drawn. "It is sufficient to state . . . that (dealing with such special situations) is not a matter for the Court, but for the Council and the Parliament, acting in concert."

When the Council suggested that the Court approve the spending level finalised by the budget ministers, before the Parliament added an extra Ecu 629m to their total of Ecu 32.7bn, the judges declared that would be equally one-sided, and rejected the suggestion.

The outcome means that, in practical terms, the two institutions can restart their wrangle close to its conclusion: with only Ecu 629m really at issue between them. In constitutional terms, it does at least temporarily stop the Parliament's steady encroachment on the budgetary powers of the member states—and reinforce the eternal search for compromise as the only conceivable way forward in such a complex Community of 12.

Norway pledge on whaling

By Our Foreign Staff

NORWAY WILL halt commercial whaling from next summer. This decision was taken yesterday in the face of threats by the US to ban the import of Norwegian fish if Oslo continued to ignore international demands for a moratorium on whaling.

The US imported $143m worth of salmon, shrimp and sardines from Norway last year and is regarded as an increasingly important market for the nation's fishing industry.

Norway will continue some limited whaling after the end of next season. An unspecified amount of what the government calls "scientific" whaling will be carried out by the nation's dwindling whaling fleet which over recent years has been reduced to 55 vessels.

Before deciding whether to return to commercial whaling the Government will await an assessment, expected before 1990, by the International Whaling Commission on how many whales can be caught without threatening them with extinction.

This season, the Norwegian fleet, which gives work to about 800 people at sea and in facilities along the coast, is allowed by the Government to catch 400 whales. The Government has made clear that it still did not believe that the amount of the country's whaling could lead to their extinction. Compensation to people losing jobs because of the ban will be considered.

Whaling is an important activity in a few small coastal communities in Norway which have fought the ban for a long time. Norway was the only country which still objected to the International Whaling Commission's ban on commercial whaling after the 1985 season. The Government, nevertheless, has been under heavy pressure from international environmentalists to respect the ban.

MOSCOW LOOKS FOR INTERNATIONAL CO-OPERATION

Soviet call to develop safer nuclear plants

BY WILLIAM DULLFORCE IN GENEVA

THE SOVIET UNION yesterday called for international co-operation in developing new and safer nuclear power plants and in combatting nuclear terrorism. It also pressed for a "working meeting" of US and Soviet parliamentarians to discuss strategic arms limitation and a nuclear test ban.

The proposals were made in a speech by Mr Victor Issraelyan, the chief Soviet representative to the UN conference on disarmament, in which he outlined the consequences the Soviet Union had drawn from the accident to its nuclear plant at Chernobyl on April 26.

It would be useful to think about organising international co-operation with a view to developing a cost-effective and more reliable nuclear reactor of a new generation, Mr Issraelyan said.

A reliable system of measures should also be worked out to prevent nuclear terroism "in all its manifestations." Mr Issraelyan instanced cases where damage had deliberately been inflicted on nuclear plants in the US and Western Europe and in which highly enriched fissionable materials had been stolen.

Mr Issraelyan placed these suggestions in the context of earlier Soviet proposals that an "international regime" be established by all states involved in nuclear engineering for the safe development of nuclear power.

Moscow has suggested that such co-operation could be organised under the International Atomic Energy Agency (IAEA) in Vienna. Mr Issraelyan recalled that the IAEA board has convened its general conference to a special session in September.

Dr Hans Blix, the agency's director-general, lead the first team of non-Soviet specialists allowed to visit Chernobyl after the explosion. He said afterwards that the IAEA would ask its member states to allow it to reinforce its nuclear safety inspections.

The IAEA could also provide a mechanism for prompt notification of accidents or malfunctions at nuclear power stations, particularly when there was a release of radioactivity, Mr Issraelyan suggested yesterday.

The Soviet Union was harshly criticised in the West in the immediate aftermath of the Chernobyl accident for the initial lack, and subsequent paucity, of information. Moscow now envisages some form of international machinery that would provide for mutual assistance "as early as possible" in dangerous situations, according to Mr Issraelyan. It went without saying that accidents should not be used to build up tensions and distrust between countries, he added.

The 42-nation UN disarmament conference could make its contribution by negotiating an accord prohibiting the hostile use of radioactive materials either in the form of radiological weapons or through attacks on nuclear facilities, Mr Issraelyan said.

A proposal for a "working meeting" soon of members of the foreign affairs committees of the Supreme Soviet and the US Congress was included in a resolution passed on June 20 at a joint session of the foreign affairs commissions of the Supreme Soviet and the Soviet of Nationalities, Mr Issraelyan told the UN conference.

US and Soviet legislators could discuss "mutual concerns" about strategic arms limitation agreements and a nuclear test ban, Mr Issraelyan said.

President Ronald Reagan's recent announcement that the US would no longer observe the Salt 2 accord has been cited by Soviet diplomats as impairing the prospects for a nuclear arms control agreement and a new summit meeting between the President and Mr Mikhail Gorbachev.

French relish new scandal

By David Housego in Paris

THE FRENCH taste for scandal has been satisfied by the eruption of a murky new affair with political and secret service overtones just in advance of the summer holidays.

At the centre of the affair is the disappearance of some FFr 10m-FFr 60m of public funds—the estimates differ widely. The beneficiaries seem to have been a combination of mercenaries employed in Africa by the previous Socialist government, ministerial advisers, and officials whose identity was concealed through phantom companies, and—just possibly—the Socialist party itself.

The personalities now under suspicion include Mr Christian Nucci, the former Minister for Co-operation whose ministry handles French affairs in Africa, and who is threatened with a loss of parliamentary immunity; Mr Yves Chalier, the director of his private office who appears to have fled the country; Mme Marie-Danièle Bahisson, who headed the private office of the former Socialist minister for women's rights and has now been charged, a 71-year-old clairvoyant, and most recently an air hostess, apparently a friend of Mr Chalier, who has just been charged after having FFr 1m of public funds spent on a Paris flat for her use.

The scandal has been coming to light over some weeks — brought to the surface with obvious delight by Mr Jacques Chirac's administration and now being pursued by the judiciary.

But the origins go back to 1983 when the Ministry of Co-operation, which has close links with the Elysee, set up an organisation called the Carrefour de Developpement. The official role of this body was to "alert public opinion to development problems." In practice, it appears to have been a cover organisation to finance the build-up of mercenary forces in Chad — and, some have claimed, to finance the Socialist party as well.

The Carrefour in turn seems to have spawned a number of phantom companies which overcharged the Government for equipment and for organising a Franco-African summit in Burundi. The cheques that helped finance these operations appeared to show the signatures of Mr Nucci and Mr Chalier. Mr Nucci says his signature was copied and has proclaimed his innocence.

In its free-spending days the Carrefour bought a chateau in Sologne for which more than FFr 2m of public funds were allocated for renovation. Ownership of the chateau was then transferred to a property company of which Mr Chalier and Mrs Bahisson were the shareholders.

Scandals in France have a way like summer storms of moving in unpredictable directions. It is by no means clear as yet whether this affair will gather momentum or slowly fizzle.

One organisation much discomforted by it is the Carrefour supermarket chain. French newspaper readers and television viewers, bewildered by the complexity, have apparently believed that the supermarket group is behind the skulduggery.

Mixed signals on strength of economic upswing

BY OUR BONN CORRESPONDENT

WEST GERMANY achieved its third straight month of sub-zero inflation in June, but mixed evidence at best emerged yesterday about the strength of the economic upswing here, as measured by industrial output and orders.

Figures from the Federal Statistics Office showed that prices last month were running 0.2 per cent below the level of June, 1985, despite an increase of 0.2 per cent from May. If petrol and fuel prices, heavily influenced by the collapse of world oil prices, are excluded, inflation was in fact running at 1.6 per cent on an annual basis.

But satisfaction at the continuing absence of inflation will have been blunted by declines in May, the latest reporting month, in both industrial production and orders booked by West German companies at home and abroad.

According to the Economics Ministry, output by manufacturing industry dropped by 2 per cent between April and May, although it is still some 6 per cent higher than 12 months previously. The strongest gain, of some 9 per cent, was registered by investment goods manufacturers.

On the order front, demand fell in May by 1 per cent from the previous month. Although orders at home rose by 2 per cent, this was more than matched by a 6.5 per cent drop in foreign demand, further proof that the strong D-Mark is now cutting into the competitiveness of West German products in international markets.

Another W. Berlin official accused of corruption

BY LESLIE COLITT IN BERLIN

WEST BERLIN'S simmering corruption scandal, involving city officials and builders, has widened with accusations that a senior finance department official accepted money from a builder suspected of paying DM 160,000 ($73,400) in bribes to another city official.

The state secretary in the finance department, Mr Günter Schackow, who is also chairman of a city-owned building company, has been "retired" after admitting to having close ties with the Munich-based builder. Justice officials in Munich said the builder told them that he paid DM 1.5m in bribes connected with West Berlin building projects.

Mr Schackow was the latest victim of a corruption scandal which threatened at one point to undermine the entire city government led by Mr Eberhard Diepgen, the Christian Democrat (CDU), governing mayor.

Earlier this week formal charges were pressed against the third city official accused of accepting bribes from builders. The Finance Department official, an SPD member, allegedly received DM 10,000 from a local builder, who has been charged with bribery. The latter was the largest contributor to the Berlin CDU's campaign fund last year.

Property speculators were lured to West Berlin for decades because it paid huge subsidies for the construction of low-rent housing. Builders presented bloated bills to the city-owned building credit society, which paid them the difference between the low rent and their ostensibly high costs.

OECD head praises Greek improvement

By Andriana Ierodiaconou in Athens

THE GREEK Socialist Government's eight-month-old economic stabilisation programme has led to some initial improvement in inflation, the budget deficit, and, to a lesser extent, the current account deficit. Mr Jean-Claude Paye, secretary-general of the OECD, said here yesterday. He warned that time and hard work are the key ingredients in turning around a troubled economy.

Low profits and high interest rates were major brakes on private investment, he said. He listed rigidities in labour and price policies and the banking system, as well as protectionism in the "omnipresent" state sector as key structural weaknesses.

Mr Paye avoided predictions as to whether the government targets of a 16 per cent rate of inflation, a PSBR of 13 per cent of GDP, and a current account deficit of $1.7bn by the end of 1986 will be met. The Greek authorities remain confident, but one of their worries is continuing high levels of imports which caused the balance of payments deficit to reach $1.238bn in the first four months

Jaruzelski firmly in command

BY CHRISTOPHER BOBINSKI IN WARSAW

GENERAL Wojiech Jaruzelski yesterday confirmed his dominant position in Polish politics when the first Communist party congress since the Solidarity movement was *crushed, re-elected him* party leader.

It also chose a new central committee of 230 members. Sixty of these will be serving a second term having been elected at the last congress in 1981 which attempted to match Solidarity's democratic challenge with a reforming programme.

The majority of them, however, have proved strong supporters of hardline members over the past five years, while liberal central committee members have disappeared from view. Many of the new members have proved their loyalty to Gen Jaruzelski who now has secured a party leadership devoid of *potential challenges* to the top party post.

The fact that Mr Alfred Miodowicz, leader of the trade unions set up to replace Solidarity, has found his way on to the central committee underlines the primacy of the party over a movement which on paper is independent.

Despite much determined talk at the congress of restructuring the economy and further decentralising management decisions, the conservative steel lobby is strongly represented on the committee. Also elected were Mr Zbigniew Szalajda and Mr Manfred Gorywoda, deputy premiers *responsible* respectively for industry and planning. Both have been criticised by economic reformers for policies which are slowing the pace of change.

Outspoken criticism at the congress of the failure of the poraganda put out by the broadcast media was reflected in the failure of the head of radio and television, Mr Morislav Wojciechowski, to win a place on the committee.

FitzGerald tries to win back lost ground

By Hugh Carnegy in Dublin

DR GARRET FITZGERALD, the Irish Prime Minister, yesterday sought to claw back some of the ground lost to his Fine Gael-Labour coalition in last week's referendum defeat for its proposal to introduce divorce, when he addressed parliament for the last time before it rises for the summer recess today.

He told the Dail (Lower House) that the implementation of the Anglo-Irish agreement would not be affected by the result. He also made it clear that his Government did not intend to be forced out of office early.

It would continue to pursue its commitment to controlling public spending and borrowing up to the end of its term in autumn next year, he said.

Dr FitzGerald dismissed assertions by Protestant Unionists that the Anglo-Irish agreement was undermined by the rejection of divorce because it showed the South was not interested in protecting the rights of non-Catholics.

"But it is, I believe, something of a setback to the long-term prospect of the two parts of Ireland coming closer together politically," he added.

Dr FitzGerald's rearguard performance has not disguised the upset the divorce defeat caused the Government. A stormy meeting of his Fine Gael parliamentary party on Wednesday spilled over into public radio interviews in which Deputies from rival wings attacked each other over their conflicting attitudes towards divorce, which was opposed by some prominent party members.

The Labour Party has tried to deflect divisions into attacks on the Fianna Fail opposition which officially stayed neutral during the referendum.

Mr Dick Spring, the Labour leader, accused Mr Charles Haughey, the Fianna Fail leader, of "craven connivance" with the anti-divorce campaign.

However, Fianna Fail, now well ahead in the opinion polls, looks to be the main beneficiory of the referendum.

UK rejects Ozal's Cyprus call

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN YESTERDAY made clear that it considered unacceptable a statement made by Mr Turgut Ozal, the Turkish Prime Minister, that he wanted the self-styled Turkish Republic of Northern Cyprus "to live forever."

A statement issued by the Foreign Office in London said that Britain "did not recognise the self-styled Turkish Republic of Northern Cyprus and had no intention of doing so." The British Government supported the efforts of Mr Javier Perez de Cuellar, the United Nations Secretary-General, to bring about a unified federal Cyprus and all parties to the dispute had said that they also supported that objective.

The unusually tough reaction of the British government comes at a time when there has been a steady improvement in Anglo-*Turkish* relations, *marked* by an official visit to Britain earlier this year by Mr Ozal. The Turks see Britain as one of their main supporters in their efforts to forge closer relations with the European Community.

However, the Foreign Office stressed that Britain, which with Greece and Turkey, is one of the three guarantors of an independent *Cypriot state*, would not tolerate any erosion of the principle of a unified federal Cyprus.

"We take a serious view of any development or statement which aggravates the present delicate situation in Cyprus," the British statement said. It added that a high official had informed the Turkish authorities *of the importance of exercising restraint.*

In the declaration which has caused an uproar in Greece and Greek Cyprus, Mr Ozal said that now the state of northern Cyprus had been "established," all that remained was to make it "one of the respected countries of the world."

President Francois Mitterrand (right) welcomes the Cyprus leader, Mr Spyros Kyprianou to the Elysee Palace yesterday.

N. Korea gives backing to Olympic co-hosting plan

NORTH KOREA has given conditional approval to a South Korean offer for co-hosting the 1988 summer Olympics, while stressing it still wants a greater share of the events, the International *Olympic* Committee said, yesterday, AP reports.

The two sides gave "very positive" responses to the June 11 co-hosting proposal by Mr Juan Antonio Samaranch, IOC President, a statement said.

But North Korea was being asked for "clarifications," after which the IOC was ready to host a further meeting between the two sides to set details of the sharing arrangement.

North Korea demanded last year to share in staging the games, which had been awarded to the South Korean capital of Seoul.

Mr Samaranch's plan, calls for North Korea to host archery and table tennis as well as part of the road cycling and soccer.

In its response, North Korea "asked for more, so we want to know exactly what they want," the IOC said.

Strauss in epicentre as second storm blows up between Bonn and Vienna

BY RUPERT CORNWELL

THE AFFAIR of Bavaria's ban on Austrian anti-nuclear protestors looks set to blow up into the second successive summer storm between the two countries—this time with the added attraction of Mr Franz Josef Strauss the Bavarian prime minister, at its epicentre.

The row first erupted last weekend when Bavarian police, at the suspected behest of the conservative Mr Strauss, prevented 322 Austrian demonstrators from crossing the frontier to take part in a rally against the planned nuclear reprocessing facility at Wackersdorf, just north of the eastern Bavarian city of Regensburg.

Yesterday, it moved into the federal Parliament in Bonn as the subject of an emergency debate in the Internal Affairs Committee, against the background of mounting complaint from the Government in Vienna, signs of new tensions within the centre-right coalition here, and increasing truculence at Mr Strauss's headquarters in Munich.

The Bundestag debate was called by the opposition Social Democrat (SPD) and Greens parties, both of which have promoted the anti-nuclear demonstrations held—often amid violence—at Wackersdorf and elsewhere in West Germany in the wake of the Soviet nuclear catastrophe at Chernobyl. But the Liberal Free Democrat (FDP) partners in the Bonn coalition have also bitterly attacked Bavaria's high-handed conduct of recent days.

More serious perhaps are the renewed strains between Austria and West Germany, which the dispute encapsulates—almost exactly a year after the scandal about imports of poisoned Austrian wine, which unleashed a here both a massive health scare and much unfriendly altercation between Bonn and Vienna.

Long before the border edict itself, the Socialist Government in Vienna had expressed its hostility to Wackersdorf, of which Mr Strauss is a fervent advocate. This week, the new Austrian Chancellor, Mr Franz Vranitzky, called the ban "unhelpful for normal neighbourly relations," although he ruled out diplomatic reprisals.

But Vienna's comparative good temper is now being tried further by the Bavarians and Mr Strauss. The schedule latter has abruptly cancelled, "for reasons of an overcrowded schedule," a planned meeting yesterday with senior Austrian officials for the formal opening of a new stretch of motorway linking Bavaria with the Adriatic—an occasion which might have helped ease tension.

Almost simultaneously, the Bavarian authorities have announced that they will "no longer tolerate" Austrian military aircraft violating the state's airspace around Salzburg. The Austrians have so far not reacted to this move, whose legal basis is obscure, but the Bavarian FDP leader, Mr Manfred Bronner, yesterday called it a "cheap and aggressive act."

Meanwhile, a new trial of strength between Bavaria's defenders and anti-nuclear Austrian invaders could come tomorrow at another rally against Wackersdorf, to be held in Passau. About 40 groups, some from Austria, have declared their intention of taking part. Bavaria's arguments to justify its ban are not helped by the fact that West German protesters have been able to take part unimpeded in demonstrations in France, against the giant reactor complex at Cattenom.

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Polls point to big gains for Japan's ruling party

By Jurek Martin in Tokyo.

A fistful of Japanese public opinion polls released yesterday suggested that the country's ruling Liberal Democratic Party would make big gains in Sunday's election and could even achieve a victory of landslide proportions.

The Kyodo news agency and the Mainichi newspaper gave the LDP an excellent chance to win over 280 seats in the 512 member Lower House, with 290 attainable if the turnout is high. The LDP has 250 seats in the old 511 member chamber.

Polls in the Asahi and Yomiuri newspapers and the Jiji news agency all said, with greater or lesser degrees of confidence, that a stable majority of 271 seats (giving the party control of all Diet standing committees) was certainly within reach.

Japanese polls do not have a reputation for reliability. In the last election in December, 1983, most forecast that the LDP would do far better than it did. On that occasion its losses (from 284 seats in the previous Diet) cost it a simple majority and forced it into coalition with the New Liberal Club.

All the polls accept the conventional wisdom that a high turnout benefits the LDP. The fact that Sunday will see a "double election," with simultaneous voting for half the 252 member Upper House, should, it is argued, bring more people to the polls, as it did in 1980.

Clearly wary that the polls would induce complacency in their supporters, both Mr Yasuhiro Nakasone, the Prime Minister, and Mr Shin Kanemaru, the LDP's secretary general, were quick to say yesterday that they thought that even a simple majority of 257 seats would be tough to obtain.

The one contrary piece of evidence thrown up by the canvassers was that by the Yomiuri newspaper, which detected a sharp drop in the personal popularity of Mr Nakasone himself. It suggested that he had a credibility problem with the voting public.

The Prime Minister has been earnestly insisting that no new big indirect taxes would be introduced and that the system exempting taxes on small savings will be maintained.

Mr Kanemaru was sufficiently moved to assure the LDP's middle class and small business supporters that, no matter what Mr Nakasone said, he personally would guarantee that tax reform would touch neither area.

All the polls suggested that the big numerical loser would be the Socialist Party, which could see its Lower House representation reduced from 112 in 1983 to the 85-100 range. Of the others, only the Communist Party, whose core support is quite solid in key constituencies, was projected as maintaining its strength (26 seats in the old Diet).

Conscious of the suspect history of polls in Japan, most independent observers are taking a more cautious view. An unscientific, informal canvass of Western diplomats here found most giving the LDP between 265 and 270 seats. They, too, accept the turnout thesis. It so happens that the weather forecast for Sunday has much of central Japan covered with rain clouds.

Two policemen hurt as bomb explodes in Cape Town suburb

BY ANTHONY ROBINSON IN JOHANNESBURG

A BOMB planted in a flower box outside a police atation io the Cape Town suburb of Mowbray yeslerday injured two police officers and sent flying glass and bricks across a busy main road during the morning rush hour. It was the 11th bomb blast since the state of emergency was declared on June 12.

Later the Bureau for Information reported that three more blacks had been killed by "necklaces" of burning rubber tyres over the previous 24 hours, bringing the official death toll in unrest related incidents to 100 since the emergency was declared three weeks ago.

It is bureau policy to distinguish in its reports between violence and death involving the security force and black on black violence arising from what the bureau describes as factional fighting or intimidation. On Wednesday the bureau announced that 780 people detained under the emergency laws will shortly be charged with criminal offences including murder and arson.

On the labour front members of the National Union of Mineworkers (NUM) have begun selective industrial action in protest against the detention of aeveral union leaders while the Metal and Allied Workers Uoion yeaterday held its first national congress in the absence of 26 leaders who are believed to have been either detained or have gone underground.

UK opposition to sanctions 'brings comfort' to Pretoria

BY MICHAEL HOLMAN IN GABORONE

THE British Government's opposition to sanctions against South Africa has "brought comfort" to Pretoria and poses a threat to the Commonwealth, President Quett Masire of Botswana warned yesterday.

Botswana la a member of the group of six "front line" black-ruled states in southern Africa who have been leading African demands for tougher action against South Africa by Western governments. Four of the six — Botswana, Zambia, Zimbabwe and Tanzania — are members of the Commonwealth.

Presideot Masire, speaking in an interview in the Botswana capital, distanced himself from the threat by President Kenneth Kaunda, the Zambia leader, to leave the Commonwealth should Britain fail to impose fresh economic sanctions agains South Africa, saying that Botswana would "view the matter from our own standpoint."

Unlike President Kaunda and Mr Robert Mugabe, the Prime Minister of Zimbabwe, he also stopped short of calling for sanctions against South Africa, saying that such a demaod might provoke retaliation from Pretoria which would aeverely damage Botswana's economy, almost totally dependent on its trade and transport links with the republic.

However, the President, regarded as the most moderate and cautious of the front line leaders, was forthright in his criticism of what he saw as Britain's failure to bring adequate pressure to bear on Pretoria as part of Western efforts to end apartheid.

"I think that Mrs Thatcher could do more. She haa compromised her own negotiating position by pre-empting the possibility of sanctions. It brings comfort to South Africa (for they know) that this threat which other countries are making are just empty threats, because the British have assured them that they will stand by them."

He gave a lukewarm reception to the impending visit to South Africa by Sir Geoffrey Howe, the British Foreign Secretary, on behalf of the European Community.

Australian dockworkers vote to stop strike

AUSTRALIAN dockworkers yesterday voted to end their four-day-old strike which threatened to drag Australia's ailing economy into deeper trouble, Reuter reports from Sydney.

The Waterside Workers Federation (WWF) vote was the first sign of a thaw in union militancy which has disrupted the nation's financial markets in the past week.

The Arbitration Commission, the national wage-fixing authority, yesterday ordered the dockers to return to work and negotiate on claims which include a new employer-funded superannuation scheme. The dispute left about 75 ships idle at 44 ports and threatened to spread to other key industries.

Officials said the strike could have crippled an economy already suffering from a mounting balance of payments deficit and external debt.

Unions in at least four more key industries—oil, transport, metal and building—have said they are considering action to press superannuation and other claims.

Lee backs US bases

BY SAMUEL SENOREN IN MANILA

MR LEE KUAN YEW, the Singapore Prime Minister, yesterday expressed strong support for the retention of US military installations in the Philippines beyond 1991 to balance the continuing build-up of Soviet forces in South-East Asia.

Under an existing treaty between the US and the Philippines, the two bases—Clark air base and Subic naval facility, both located north of Manila—are to be phased out when the lease agreement runs out in 1991.

Mr Lee who ended a three-day official visit to Manila yesterday, expressed alarm at the increasing Soviet presence in the Pacific but added that the US defence installations made the region secure.

A government commission writing a new constitution for the Philippines is debating on whether or not to allow the US bases to atay after 1991. The issue which has divided the commission is expected to heat up when public hearings are called on the matter in the coming weeks.

RESUMES CAMPAIGN TOMORROW

Bhutto presses for early election

BY JOHN ELLIOTT IN ISLAMABAD

MISS BENAZIR BHUTTO, leader of Pakistan's main opposition party, faces her most important test aa a serious political figure in the next four months when she will try to whip up country-wide support for a general election to be held before the scheduled date of 1990.

After two months' lull in her campaign she starts a new series of meetings and rallies tomorrow. This is the ninth anniversary of the introduction of martial law in 1977 by President Zia ul Haq when her father, the late Mr Zulfikar Ali Bhutto, was ousted from office.

She says she is recruiting 50,000 "doves of democracy" who will lead a peaceful campaign that will lead to the early general election she needs before her political momentum fades. The test in the next few months is to see how far she can sustain that momentum and turn the festivities and euphoria of her return to the country in April into a serious political movement.

Miss Bhutto had a triumphant return in April and attracted consistently large crowds till she adjourned her campaign when the Moslem fasting month of Ramadan began in mid-May. She increased political uncertainty and appeared to shake the Government with the size and enthusiasm of her reception.

Miss Benazir Bhutto

She did not, however, make much headway in her campaign for early elections and seems at present to have little chance of early success unless something unforeseen occurs — for example, the authorities over-reacting to one of her demonstrations and sparking a violent backlash, which could cause instability.

In the past month she has also failed to make political capital out of two widely criticised actions by the Government — the dismissal of Mr Fakhr Imam from, the Speaker in the National Assembly, and a presidential ordnance cancelling election laws which would have forced Mr Mohammad Khan Junejo, the Prime Minister, and other senior government figures, to face early by-elections.

She has also faced splits in her party, the Pakistan Peoples Party, because she hes dropped some of the old guard of her late father's generation from the leadership which is now much younger, reflecting her own age of 33.

Mr Fakhr Imam, the former speaker, has been made leader of the main opposition group of 21 members of the National Assembly which has 237 seats. But he has not yet been officially recognised as leader of the opposition, which also includes members of Islamic parties and independents. The governing Moslem League Party of Mr Junejo has about 170 to 180 supporters in the Assembly.

Miss Bhutto has sent aides to talk with Mr Imam'a group about possible liaison. Her party boycotted last year's elections so is not represented in the Assembly.

Leutwiler resignation a blow to bankers

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

MIXED FEELINGS reigned among South Africa's creditors yesterday as the announcement came that Dr Fritz Leutwiler, the former presideot of the Swiss National Bank, had resigned his mandate as mediator between Pretoria and its creditor banks.

Bankers acknowledged that his departure marked a psychological blow to their efforts to keep South Africa's foreign debts on an orderly footing. But they were also quick to point out that the negotiations which led in March to an interim arrangement to defer short-term debt repayments until June 1987 had left a sour aftertaste.

Dr Leutwiler, who is now chairman of the Swiss engineering concern Brown Boveri, was brought in as an independant mediator last September to resolve the impasse that occurred when no-one could be found to organise and spearhead negotiations oo an arrangement to reschedule the country's $24bn foreign debt.

Although he managed, against the odds, to orchestrate an agreement, it was not without a degree of bruised feelings all round.

Several banks, particularly those in the US which helped precipitate South Africa's financial crisis by withdrawing short-term credit last summer, felt they had been steamrollered into the interim restructuring arrangement.

They claimed that Dr. Leutwiler had failed to take account of their sensitivities on technical issues, and that he had not fought hard enough to ensure that a greater portion of the maturing debt was repaid this year.

"We were prepared to acknowledge his invaluable help in bringing the parties together but the consensus was that we would not envisage his further involvement unless fundamental problems cropped up again," ooe European creditor said yesterday.

Once the outline interim restructuring agreement was struck in February it was left to a technical committee of 12 banks to thrash out the details through direct negotiation with the South African Government's co-ordinating committee in Pretoria.

This committee – comprising Barclays, National Westminster, Standard Chartered, Crédit Suisse, Union Bank of Switzerland, Swiss Bank Corporation, Commerzbank, Deutsche Bank, Dresdner Bank, Citibank, Manufacturers Hanover and Morgan Guaranty – still provides a workable channel of communication betweeo the two sides.

Yesterday, bankers said they expected that the review of South Africa's economy due in September under the restructuring agreement would still go ahead under the aegis of this committee although Dr Leutwiler would oo longer be available to chair it.

The committee is not a representative one in which member banks act io the interest of a constitutency of bank creditors – the normal pattern for rescheduling committees – but it would also still be in a position to undertake further consultatioos with the South African authorities if need be.

From the logistical poiot of view, the consensus in the banking community was, therefore, that Dr Leutwiler's departure was both manageable and to some extent not unexpected. More worrying was the way in which it highlighted deteriorating hopes that a means of normalising South Africa's external financial relations could be found once the present restructuring arrangement expires next June.

All through South Africa's payments crisis bankers have made clear their belief that the fuodamental underlying problem is a political, rather than an economic one. Dr Leutwiler himself indicated through a spokesman yesterday that his reason for giving up his role as mediator was disappointment over the state of emergency declared three weeks ago.

Without meaningful political reform in South Africa, few banks are prepare. to lend fresh money to South Africa let alone sign a formal rescheduling agreement. They are worried about the response from political lobby groups within their own countries.

And as pressure for sanctions continues, so does the concern that South Africa might eventually be put into a position where it could nn longer meet interest payments on its debt, prompting a full-scale default in which banks would have to start writing down the value of South African loans in their balance sheets.

Although South Africa has so far been scrupulous in meeting these payments, bankers said thal no country could survive unscathed a period ol full-scale economic sanctions, a fact acknowledged by Mr Bareod du Plessis, finance Minister, in a statement yesterday.

Dr Leutwiler is an outspoken opponent of the apartheid system, hul equally, throughout his period as mediator, he has also been vehemeot in his rejection of sanctions as a political response from the West.

He believes that sanctions would hurt most those people in South Africa, the black population, who their supporters are seeking to help. He also believes that a sound economy is an essential prerequisite for peaceful political reform io South Africa.

Ironically, his departure yesterday only served to underlioe the way in which financial markets are imposiog sanctions of their own with or without the support of Western financial leaders. Withdrawal of credit by US banks last year sparked a full-scale economic crisis in a country whose economic outlook was otherwise fairly positive.

AMERICAN NEWS

Pressure grows for cut in US discount rates

BY STEWART FLEMING IN WASHINGTON

POLITICAL PRESSURE on the Federal Reserve Board to take further steps to stimulate a stagnant US economy intensified yesterday as the Commerce Department reported continued weakness in the US labour market in June.

In a pointed demonstration of his mounting concern about the ecooomic outlook, Mr Robert Dole, Republican majority leader of the Senate, released a letter he has sent to Mr Paul Volcked, the Fed chairmao, forcefully repeating his recent calls for the central bank to cut the discount rate.

Separately Mr Beryl Sprinkel, chairman of the Council of Economic Advisers, was due last night to imply in a speech in San Francisco that recent rapid monetary growth should not at present be an impediment to lower interest rates.

The White House has been dropping heavy hints in recent weeks that it wants the Fed to lower discount rates

Concern in Washington about the domestic and world economic outlook was compounded by news that the Bundesbank, West Germany's central bank, had not lowered its leading interest rates and by reports that Mr Gerhard Stoltenberg, the West German Finance Minister, had restated his opposition to stimulating the West German economy.

Yesterday's unemployment report showed that the civilian unemployment rate dropped from 7.3 per cent to 7.1 per cent. But private economists focused on evidence in the report that there is still no sign of the economy strengthening.

The Commerce Department said the payroll survey, widely regarded as its most accurate guide to underlying trends in the economy, showed no change even after taking account of the 170,000 workers on strike, mainly in the telecommunications sector, who were not on payrolls.

The Department said that in the goods producing sectors of the economy, construction employment decreased 30,000, raising fears that another sector of the economy is rapidly weakening. Mining employment fell by 20,000 and there were further modest declines in manufacturing jobs.

Senator Dole's decision to write to Mr Volcker, the first time the majority leader has taken such action, comes after a succession of public statements oo the need for a discount rate cut.

"Lower interest rates are a key to solving the economic puzzle that confronts us," the Senator said.

Summit hopes rise

BY REGINALD DALE, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan said yesterday that a letter be received last week from Mr Mikhail Gorbacbev, the Soviet leader, bad "opened additional doors," raising hopes of a successful second superpower summit.

Mr Reagan aaid that Mr Gorbachev's letter had made new proposals, not only in arms control but also on other subjects that the two leaders bad discussed at the first summit in Geneva last November. These included regional conflicts around the world, human rights and Soviet emigration policy.

As a result, Mr Reagan said in an interview with the newspaper USA today, be was optimistic that a summit would be held and that it could reach agreement on some of "the goals that we share." Mr Gorbachev's letter was delivered to Mr Reagan last Monday by Mr Yuri Dubinin, the new Soviet ambassador to the US.

The US President described the letter as "quite a packet—worthwhile." He was drafting a reply in the hope that the correspondence could form part of the agenda for the summit, which the US wants to bold in Washington before the end of the year.

Cuba and US set for talks on immigration

By Reginald Dale, US Editor in Washington

THE US and Cuba are to hold talks on reviving a 1984 immigration agreement, which was suspended by the Castro Government after the US opened a controversial new radio service beamed at Cuba last year.

Administration officials said representatives of the two governments would meet in Mexico City next week to discuss both immigration and the Spanish language broadcasts by Radio Marti, which started transmissions under the aegis of the Voice of America in May 1985.

They insisted, however, that the US would not give np the broadcasts, which are intended to give Cubans an American view of the news and world affairs.

Nevertheless, the officials said that they expected Havana to agree to revive the 1984 immigration pact, the most important agreement between the two antagonistic governments. They said that Cubans had resented the halt in travel between the two countries resulting from the pact's suspension.

Under the agreement, the Cubans agreed to repatriate about 2,700 criminals and mental patients. They were among the 125,000 people who came tn the US in the 1980 Mariel "boatlift." The US said it would admit about 3,000 former Cuban political prisoners and their families and resume normal Cuban immigration to the US.

Titan rocket loss 'caused by erosion'

THE explosive loss of an unmanned Titan 34D rocket during a military missinn last April was probably caused by erosion inside a solid-fuel booster, a US Air Force investigation has concluded.

Rubberised insulation was lost inside the booster, AP reports from Washington, allowing the burning fuel to eat through the rocket's thin metal skin, touching off a fireball.

Democracy is at stake in the election of Chihuahua's governor, **David Gardner** reports

'Clean vote' challenge to Mexico's rulers

MEXICO's ruling Institutional Revolutionary Party (PRI), which has beld uninterrupted power for 57 years, on Sunday comes the nearest it has ever been to fighting a major election as if it were the opposition party.

The poll in the huge state of Chihuahua has become a sort of crucible for the nation, watched anxiously domestically and covered by several hundred foreign journalists. It will be used by all parties as a measure of Mexico's increasingly brittle stability, on which hangs its ability to cope with its $97bn (£63bn) foreign debt.

In Chihuahua, Mexico's equivalent of Texas, which it borders and where the PRI lost every major town to the Reaganite National Action Party (Pan) three years ago, the governorship is at stake in the most dramatic election contest the ruling party has faced since 1940.

Much the same was said about two northern governorship contests in Sonora and Nuevo Leon last July, where the PRI resorted to wholesale ballot rigging to dissipate an unprecedented but unformed challenge from Pan which, stunned by the sheer scale of the fraud, melted away.

The PRI regime, led by President Miguel de la Madrid, has never In its history conceded a state governorship, though on three occasions at least, including Sonora, it lost the vote.

The difference in Chihuabua is that the right controls all the major towns (the exception being one controlled by the independent left) and from this base it has for the first time built a political machine capable of seriously challenging the PRI's steamroller.

A secood differeoce io this strongly regionalist state is that a broad-based and aggressive "clean vote" movemeot has emerged, making democracy the central issue of the election. The Democratic Electoral Movement (MDE) groups the most combative labour and pessant unions with the most radical employers aod includes the church and important groupings of intellectuals, professionals and students.

Like most of relatively prosperous northern Mexico, Chihuahua became disaffected with the regime when the oil and credit binge of the late 1970s petered out into the worst financial and economic crisis for half a century, throwing the PRI's corruption, mismanagemeot and arbitrariness into razor sharp relief.

But Chihuabua standa out even in the north for its traditions of tough-minded independence, its growth of 8.3 per cent last year—three times the national average—and virtually no unemployment, built around cattle farmiog, mining and forestry (and substantial untapped oil deposits) with a diversified industrial base.

The challenge to the regime is being led by Mr Francisco Barrio, Pan's candidate for governor on Sunday. Mr Barrio is mayor of the rambling border city of Cuidad Juarez. He is the prime exemplar of a new breed of Pan activists who refuses to accept the ginger group role the PRI has traditionally allotted the opposition and whose eventual goal is to bring down the regime.

Mr Barrio is a larger-than-life charismatic man whose passionate adherence to the small group of "illuminati" a raw Messianic faith within the Catholic Church, has won him the title of "Ayatollah of Juarez" from his opponents.

He revels In this reputation, starting his campaign by saying: "I hold the destiny of Chihuahua In my hands" and remarking last month, after surviving a light plane crash in the Sierra Madre mountains, that be was "the living word of God."

His methods, he insists, owe more to *Gandhi* than *Khomeini* and he threatens a mass civil disobedience campaign should PRI attempt to rig the polls. Both Pan and the left say the Government has already set fraud in train by severely reforming the state electoral law to restrict opposition ability to monitor balloting and counting. This In itself is not yet conclusive evidence of fraud.

Mr Fernando Baeza, the PRI's mild-mannered candidate, bangs the table and angrily insists: "There is not going to be fraud because we won't permit it; we are not going to supplant the will of the people."

Mr Baeza, a practicing Roman Catholic, appears, and is said by those who know him. to be sincere, not least because be is said to believe that he will not be able to govern Chihuahua if his victory ia, or is perceived to he, illegitimate.

Unlike the PRI candidates in Sonora and Nnevo Leon last year—colourless bureancrats who made their careers outside their states—Mr Baeza is a Chihauhua politician and popular former mayor of his bome town of Delicias.

He has centred his campaign on corruption, democracy and social justice, attacking, verbally at least, the vested interests built up by the regime and defending the defensible io the PRI's social record.

His last job was as deputy attorney general in which he pursued corruption winning, for instance, the extradition from the US of General Arturo Durazo, the former Mexico City police chief accused of gargantuan corruption.

He has covered the state four times and built up a strong personal following. Uniquely and revealingly, many of his campaign posters omit the PRI logo.

The system has unabashedly used patronage, state resources and coercion on beholden trade unionists. Local private sector magnates, including Mr Eloy Vallina of the Grupon Chihuahua, one of the most powerful business groups left in Mexieo, and Mr Jaime Bermudez, the PRI candidate for mayor of Juarez—both of whom launched Mr Barrio for Pan In 1983, have been weaned back to the ruling party by Mr Baeza's right of centre views and, presumably, government policy commitments which reinforced them.

But there is evidence that Mr Baeza can win cleanly on Sunday. The crux is whether he has convinced the national PRI and the Interior Ministry of this. A well-placed PRI official in Mexico City says that up to a dozen party functionaries associated with last July's ballot rigging scandal in Sonora have been here in recent months. He *also says* that *Mr Baeza* bas been trying to convioce Mexico City that this is not a matter of national security and should be left to Chihuahuans to sort out.

Chilean Government acts after day of protest

CHILE'S MILITARY Covernment has cracked down after a day of protests in which three people were shot dead but opposition leaders said they would continue strikes and protests to press for a return to democracy, agencies report from Santiago.

Police said six people were wounded by bullets and more than 200 were arrested.

With most of the capital's buses off the streets, the protest organisers said the disruption to national life made the two-day stoppage the most effective for more than 12 years

Soldiers wearing combat dress and camouflage paint patrolled the city in trucks and armoured cars, while demonstrators in working-class districts threw up isloated barricades of rocks

The disturbances came after the Government brought charges uoder internal security laws against 17 opposition leaders, banned four opposition radio stations from broadcasting news programmes and threatened legal action against journalists.

Argentine airline sacks 137 striking pilots

By Tim Coone in Buenos Aires

AEROLINEAS ARGENTINAS, the troubled Argentinian airline, has fired 137 of its 560 striking pilots and threatened to dismiss the rest if they do not end a two-day walkout which has paralysed the stste carrier.

The company dismissed 73 pilots on Tuesday and a further 64 on Wednesday night.

The pilots began indefinite strike action on July 1 in a dispute over salaries that bas been simmering for more than a year.

IMF approves $44m loan for Panama

THE INTERNATIONAL Monetary Fund (IMF) has approved a $44m (£28.6m) loan for Panama, Reuter reports from Panama City.

Approval of the loan should clear the way for disbursement of a $60m commercial bank loan.

The nine-year commercial bank loan was agreed last October but sbelved after Panama failed to comply with austerity measures recommended by the IMF and World Bank.

The commercial loan, involving about 150 creditor banks, is part of an economic package to belp reschedule $579m in debt falling due this year.

Panama's total foreign debt is $3.6bn. In March, the Government Introduced a series of tough economic austerity measures as part of a World Bank and IMF-inspired economic adjustment plan

The austerity programme involves a commitment by Panama to rationalisc its buge social security budget, responsible for more than a third of government spending.

WORLD TRADE NEWS

A few months of peace have been won, but the threat of trade war still waits in the background, **Paul Cheeseright** reports

EEC and US agree an uncertain truce in transatlantic disputes

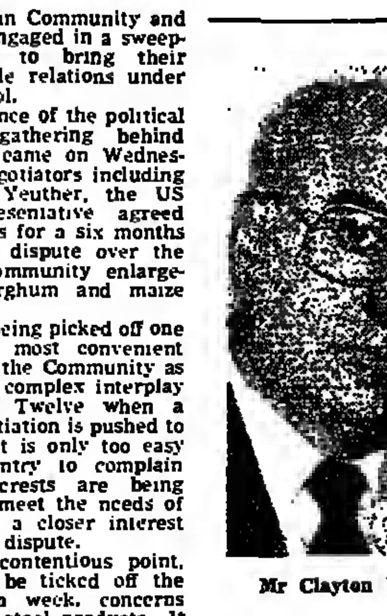
THE European Community and the US are engaged in a sweeping attempt to bring their fractious trade relations under tighter control.

First evidence of the political momentum gathering behind this attempt came on Wednesday when negotiators including Dr Clayton Yeuther, the US Trade Representative agreed the conditions for a six months truce in the dispute over the effects of Community enlargement on sorghum and maize sales.

Issues are being picked off one by one, the most convenient approach for the Community as it avoids the complex interplay between the Twelve when a package negotiation is pushed to conclusion. It is only too easy for one country to complain that its interests are being sacrificed to meet the needs of another with a closer interest in a different dispute.

The next contentious point, which could be ticked off the list within a week, concerns semi-finished steel products. It seems clear now that the US will respond to the Community's pressure for an increase in its quota to 800,000 tonnes from 600,000 tonnes.

Later this month, intensive talks are expected to start on a peace settlement for what hss become known as the spaghetti war. Last year the US put duties of up to 40 per cent on Community pasta and the Community retaliated with a rise in duties on American lemons and walnuts. The dispute was sparked by a complaint by the US that the Community's Mediterranean preferential agreements discriminated against its citrus exports.



Mr Clayton Yeutter

Once these two issues are cleared the immediate problems in transatlantic trade relations will have been solved. In Brussels it is believed that this could lead to a few months of peace.

Timing is important. Both sides are committed to launching a new round of multi-lateral trade negotiations at a ministerial meeting of the Geoeral Agreement on Tariffs and Trade to be beld at Punte del Este, Uruguay.

That launch depends on a degree of harmony between the trade superpowers. There is no desire on either aide to foment difficulties which carry undue transatlantic friction into that meeting, when it is known that there are delicate issues to be negotiated on the priorities and timetable for the new trade round.

On the Community side, there is need for calm in the preamble to Punte del Este, not least to avoid a repetition of French threats not to attend.

Wednesday's truce conditions recognised those points in the first paragraph of the agreement — "mutual relations will benefit and a favourable climate be created for the launching of a new round."

After Punte del Este, it is likely that the Reagan Administration will become increasingly preoccupied by the mid-term coogressiooal elections in November. Once in the electoral phase, it is assumed in Brussels that the Administration will not be looking for a fight with the EEC.

But it is a tricky assumption and the negotiations on the sorgbum and maize problem explain wby. The basis of the deal was put in place by officials anxious above all to cool a situation where threatened measures would be greeted by retaliation, with the risk of events running out of control. For the measures would have hurt — US tariff increases on Community wine and cheese, among other products, and Community tariff increases on US wheat, rice and corn gluten feed.

But even last week, Mr Richard Lyng, the US Secretary of Agriculture, apparently still believed there would be political advantages domestically for the Reagan Administration to continue confrontation.

On the Community aide France, throughout the dispute, has favoured an eyeball-to-eyeball approach to the US. Yesterday Mr Willy de Clercq, the EEC's external relations commissioner and trade negotiator, was in Paris seeking to convince Mr Jacques Chirac and the French Government that the truce is in everybody's interest.

The fact is that the idea of relative harmony between the Community and the US and the belief that both sides bave more to lose than gain from confrontation, is not universal. The desire to safeguard interests at all costs, rather than by compromise, could make predictions of a few months of relative calm look daft.

While it is true that the immediate causes of friction between the US and the EEC bave been or are being honed down, the basic difficulties of sluggish markets swamped by subsidised exports remain. And the Reagan Administration remains under pressure from the farming lobby in a pre-electoral period.

Rivalry is inevitable. "We are glad we don't bave a trade war that is going to escalate," Mr Al Tank of the US Corn Growers' Association, said. "But this does not put the issue to hed by any means."

The issue is back in Gatt, where the Community claims it should bave been all along. Negotiations on compensating the US for the loss of sorghum and maize sales in Spain, by virtue of the Community's enlargement, will now be part of wider-ranging talks involving the total effects of enlargement on trade patterns.

After the US November elections, the pace of the talks will quicken—both sides bave promised to put them on the fast track. Indeed, the sorghum and maize truce, which guarantees US sales, only lasts until the end of the year.

Towards the end of the year then, the rhetoric of the built-in friction between trading superpowers can be expected to become more shrill, with more talk of trade war.

THE announcement of a "provisional agreement" in the long-running US-EEC dispute over agriculture trade from the White House on Wednesday spoke eloquently of the political importance US agriculture trade has attained, Nancy Dunne reports.

Just last Friday, the Commerce Department reported that US farm trade had run a deficit in May, the first in 27 years.

US farm leaders yesterday were closely scrutinising the fine points of the truce. They seemed less than satisfied, but the proclamation from the White House that "the President *isn't going* to stand by and watch American farmers lose" $1bn in trade had already been dutifully carried through the media and back to the farm, where the Administration hopes the President's tough stand against the Community will be duly noted.

However, to Mr Kent van Amburg of the US Feed Grains Council, the promise by the EEC to maintain US farm exports at 1985 levels seemed "full of loopholes."

US farmers have sold no maize or sorghum to Spain since he accession, he said, and nothing in the agreement guarantees that they will sell any more.

By the time a final pact is agreed, the Spanish livestock industry, forced to buy more expensive EEC grain, may have disappeared, he said. "I'm disappointed. This is not a solution. It is just a delay.

The Community has promised to maintain US imports of maize, sorghum corn gluten feed, distillers draff and citrus pellets at 1985 levels for the last six months of this year.

Nothing has been said about lost markets for the months of March to June—a loss of maize sales worth about $70m at current prices.

The agreement was a "Pyrrhic victory for the US," according to Mr Martin Abel, a Washington agriculture consultant. "Both sides bought some time. It will allow the Community to implement the expansion and put the negotiations into a Gatt framework."

But if the US farmers must count their losses, then the White House must count a success. Polls have reported the Republican Party slipping in key Senate races, and a few farm state elections lost could bring to an end Republican control of the Senate.

Mr Malcolm Baldrige, Commerce Secretary, said he does not expect an agreement until December.

Mr Willy de Clercq

Italy's electronics export sales up 9.1%

By Christina Paghera in Milan

ITALY'S electronics industry last year achieved a 9.1 per cent increase in export sales, to L15,000bn (£5.7bn).

According to Anie, the Italian electronics manufacturers' association, imports rose by 13.5 per cent, faster than exports in 1985, *resulting in a slightly* diminished trade surplus. The 1985 trade surplus for the sector was L1,729bn, some L176bn less than in 1984.

Anie said in Milan yesterday that exports last year represented 52 per cent of the Italian electronics industry's total sales of L28.72bn, which itself was 6.3 per cent up on the previous year.

The Anie association includes 622 electronics companies which range from data processing to defence systems and home appliances. The total number of people employed in the sector was 198,000 last year.

The Italian electronics industry said that its largest overseas market was the Opec countries, which last year accounted for 12 per cent of total exports. Next came the US, which took 10 per cent of exports.

Canada starts European pasta subsidy inquiry

CANADA has begun a formal investigation of complaints that imported European pasta is being beavily subsidised, AP reports.

Canada's revenue department will announce by September 30 its determination nf whether or not such imports are subsidised. If they are being *subsidised* temporary countervailing duties will be imposed.

The Canadian import tribunal would then have to determine whether the subsidised product has or will injure Canadian pasta makers, and if they are ruled tn be damaging the duties will become permanent.

Canadian makers nf spagbetti and other pasta products have charged that European companies receive subsidies of 18.5 Canadian cents a pound on products which sell in Canada for between 40 and 50 cents a pound.

The Canadian Pasta Producers Association claims the industry bad been profitable before the arrival of the European importa in 1983.

Airbus in new McDonnell talks

BY DAVID MARSH IN PARIS

AIRBUS INDUSTRIE, the European airliner manufacturing contortium, has suggested joint development with McDonnell Douglas, the US aircraft group, across a wide range of airliner types as part of efforts to pol resources in competition with Boeing, according to French officials.

The Airbus proposals, however, call for McDonnell Douglas to abandon its plans to build a long-range jet, the MD-11, which would be cmpeting with the fur-engine long-range A-340 which Airbus hopes will fly by the early 1990s.

The latest round of talks between the two companies at the end of last month take further the preliminary talks on possible co-operation which were initiated by McDonnell Douglas several months ago.

Although both companies agree on the strategic goal of increasing their ability to compete against Boeing, the world's dominant aircraft maker, there appear to be strong differences between them on how collaboration would work.

Officials said that McDonnell Douglas had come out in favour of joint work on the A-330. This is the short to medium-range model of the two new airline types for which Airbus Industrie is at present trying to win financing.

However, Mr Jean Pierson, the Airbus president, has turned down the McDonnell Douglas proposal that Airbus abandon the A-340. Airbus regards the A1330/340 as a common programme, as the A-340 will make use of wing elements and other parts developed for the A-330.

Instead, Airbus has suggested that the Californian company develop a larger version of the MD-11 — capable of carrying perhaps 380 passengers—in order to provide a model to compete with the Boeing 747.

Airbus has also suggested pooling resources with McDonnell Douglas on a new generation of aircraft to complement the 150 seater A-320 being brought into service in 1988.

Mirages for Egypt under special deal

By Tony Walker in Cairo

Egypt has taken delivery of four Mirage 2000 jet fighters under an "instalment" plan negotiated last year with France to take account of the difficulties Cairo is having meeting its military debt commitments.

The agreement provides for an effective rescheduling of Egypt's military debt to France which exceeds $2bn (£1.2bn). The French are delaying delivery schedules to allow Egypt more time.

Egypt is to receive 20 of the French-built fighter bombers under a contract signed in 1982.

China urges W. Europe to provide more soft loans

BY ROBERT THOMSON IN PEKING

CHINA has urged Western Europe to provide it with more soft loans, and signalled that changes will be made in an attempt to improve the climate for foreign investment, which bas beeo sluggish this year.

In a meeting with the visiting European Community president, Mr Jacques Delors, Li Peng, a Chinese vice-premier, said it was in the interests of both Western Europe and China for more "loans on favourable terms" to be granted, while Western Europe must increase its purchases of Chinese products if economic relations are to be further developed.

Li's suggestion that there will be a "more favourable climate for foreign investment showed his Government's concern at the apparent decline in investment this year, and confirmed diplomats' predictions that regulatioos will be introduced.

Meanwhile, the highly-publicised problems at the American Motors Corporation Jeep joint venture, which became a symbol of troubled foreign investment, have been solved for the time being, and the plant is due to restart production on August 1.

The venture, in which AMC bas a 31 per cent stake, has been given an injection of foreign exchange.

Greek tourist arrivals rise by 4.1%

By Andriana Ierodiaconou

TOURIST ARRIVALS in Greece went up by 4.1 per cent in the first five months of 1986, compared to the same period last year, according to National Tourist Organisation figures.

British tourists are leading the figures so far, with 339,951 arrivals between January and May, up by 19.5 per cent, compared with last year. Yugoslav tourists regisered a record leap of 111 per cent, compared to the *first five months* of 1985, with 148,252 arrivals.

By contrast, US tourist arrivals registered a drop of 61.1 per cent, down to 62,626. This is attributed to fears regarding terrorist attacks

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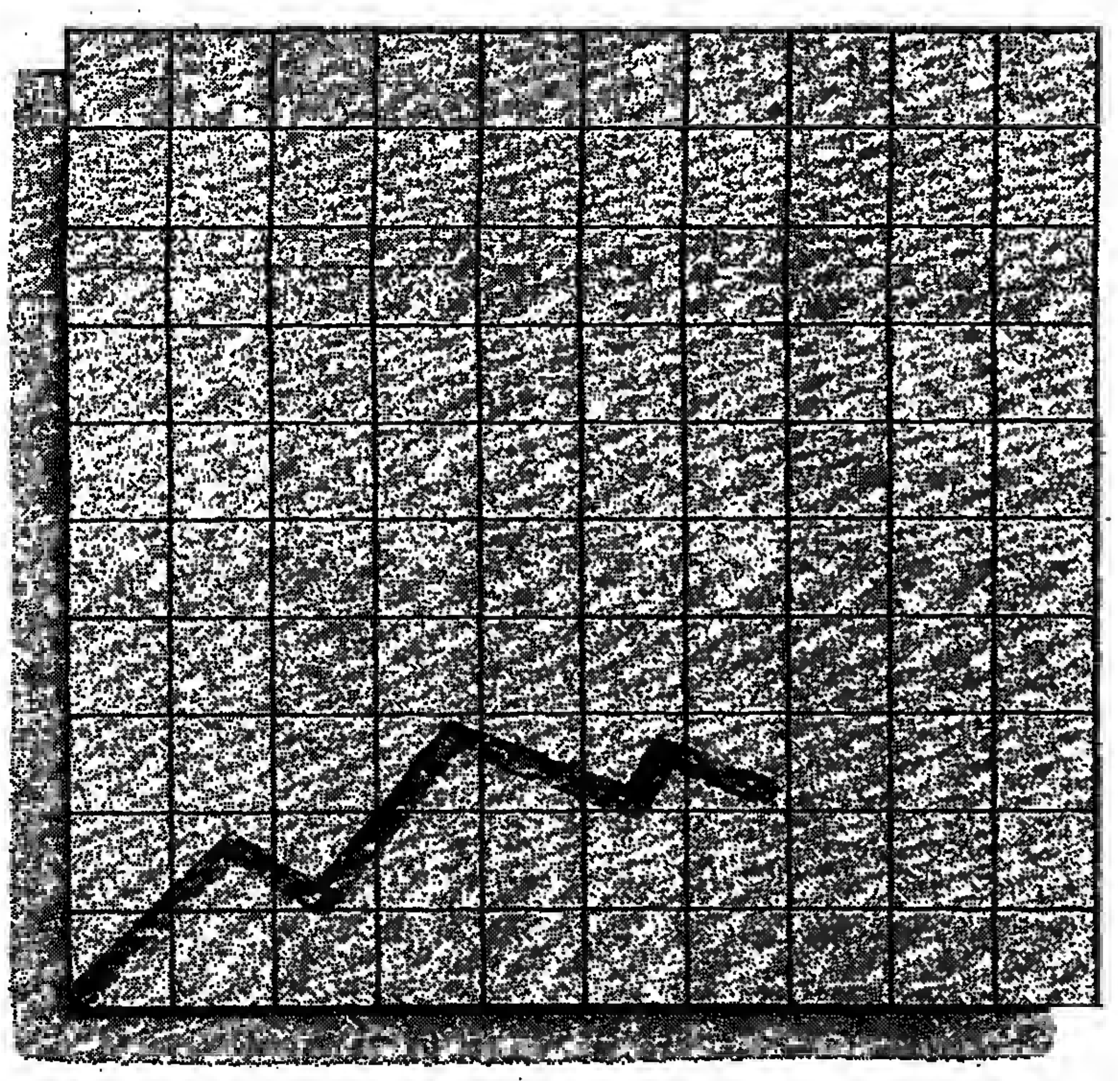

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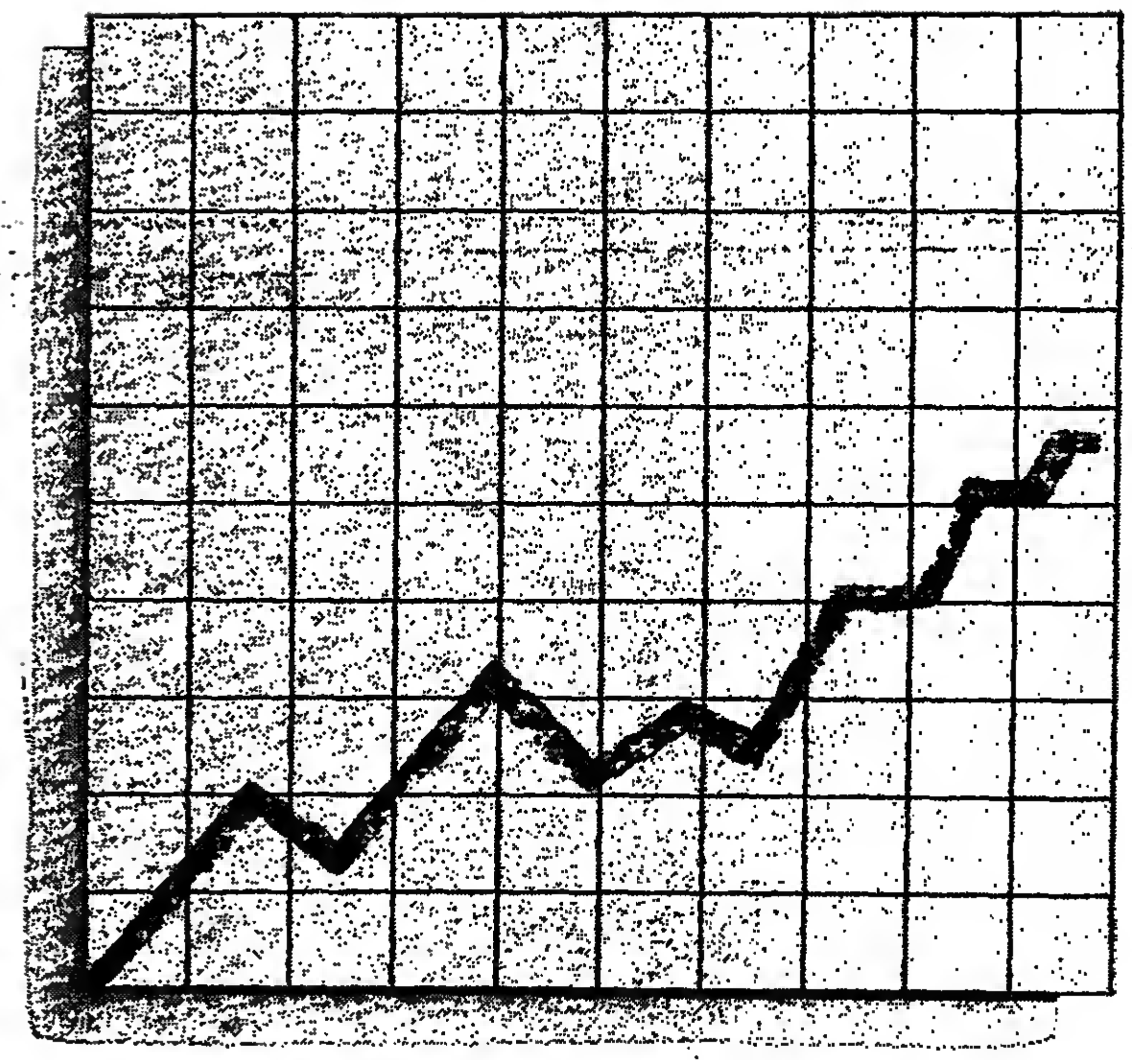

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British TELECOM

THE ITT-CGE DEAL

Araskog stuns his critics

ITT'S decision to sink its telecommunications equipment business into a massive new European joint-venture company controlled by Compagnie Generale d'Electricite (CGE) represents the most dramatic step in a radical restructuring of one of the world's most famous multinational companies.

By folding its $4.6bn a year worldwide telephone equipment business into the venture—in return for $1.8bn in cash and a 30 per cent stake in the world's second biggest telecommunications group—Mr Rand V. Araskog, ITT chirman, has carved out the heart of the old International Telephone and Telegraph Company.

In so doing the 54-year-old chief executive has set ITT on a new long-term course which is likely to further emphasise the group's growing services business over traditional manufacturing. He will be presiding over a much slimmer empire—one with almost 100,000 fewer employes—but a much stronger balance sheet and sharply higher earnings.

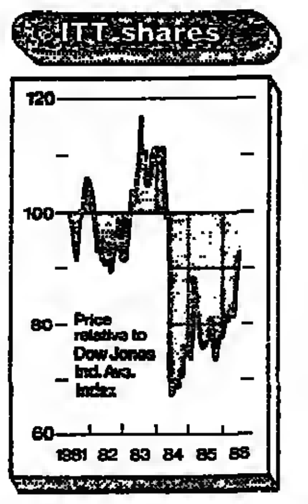
Wall Street appears overjoyed by the move. ITT's share price, which two years ago was languishing around $20-a-share, has jumped by almost a third in the past fortnight to nearly $60-a-share. Mr Michael Metz of Oppenheimer and Co, the Wall Street securities firm, described the move as "enormously positive." Mr Brian Fernandez of Nomura Securities agrees.

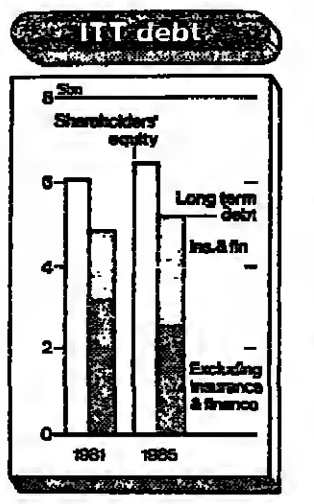
"It is clear that Mr Araskog has done something that I do not think anybody thought he could do," says Mr Fernandez, who adds that the debt reduction alone will host earnings by $1 a share and the company could be earning over $6-a-share next year. Last year ITT earned $293.5m or $1.89 a share on revenues of about $20bn.

ITT's painful decision to sell the major chunk of its cornerstone business represents a startling about-turn for a company which just 18 months ago was preoccupied with fighting off the attention of Wall Street's corporate raiders.

Mr Araskog, who only a few months ago was insisting that ITT's future lay in telecommunications and high technology, will fiercely deny that ITT is quitting telecommunications equipment manufacture altogether.

The unwieldly conglomerate was facing a severe cash squeeze as a result of problems





in its insurance business and the high development costs of its flagship System 12 digital telephone exchange switch. ITT finally abandoned efforts to adapt System 12 to US standards earlier this year. After several decades of steady dividend growth ITT had slashed payout, its share price had collapsed and Mr Araskog, who inherited a sprawling business empire huilt up by the legendary Mr Harold Geneen, was under attack from all quarters.

But to the surprise of some, Mr Araskog has not only risen to the challenge, but indeed has gone much further than anyone expected in reshaping the giant company whose activities span all the seven continents of the world and whose products once included everything from sliced bread to complex high-technology products.

"This is what all the vulturea and corporate raiders were after," says Oppenheimer's Mr Metz who is very impressed with the way Mr Araskog has "turned a non-earning highly capital intensive asset into cash."

Indeed his decision to reduce its exposure to the highly competitive and costly advanced telecommunications equipment business which has swallowed up the lion's share of $1bn-a-year ITT has been spending on research and development, is the high point of a disposal strategy which has seen Mr Araskog shed about 100 companies generating over $4bn since be took over as chief executive in 1979.

Among the assets he has sold are the Continental Baking Group, Eason Oil, a majority interest in Britain's Standard Telephones and Cables and all of Abbey Life, Britain's second largest life insurance group.

But folding all of ITT worldwide telecommunications equipment operations into the new joint venture overshadows all of Mr Araskog's earlier moves. Aside from the $1.8bn in cash another $1bn in ITT debt will be assumed by the ne wcompany—instantly reducing ITT's heavy debt equity ratio which stood at 34:66 at the end of last year.

This debt reduction will not only substantially increase ITT's earnings but will also dramtically improve Mr Araskog's ability to nurture the remaining parts of bis empire. Even after the latest move ITT will remain a $15bn-a-year company capable of earning over $800m in 1987.

By far the largest part of the new reshaped IT Twilt be its diversified services division dominated by the Hartford Insurance business which, after a difficult few years and substantial additions of new capital, is benefiting from a sharp improvement in the insurance underwriting cycle. Last year its total revennes jumped by nearly 20 per cent to more than $6.8hn.

In addition ITT is likely to expand its commercial and consumer finance operations which have been growing at compound 20 per cent annual growth rate. Last year ITT's financial services group, wbich includes the second largest independent wholesale financa company in the US, bad operating earnings nf $246m on revenues of $1.3bn.

ITT's Sheraton hotel and property development company has also proved an impressive performer in recent years with operating earnings last year of $47m on revenues of $634m. The 493-Hotel Sheraton chain includes 27 owned by ITT, 119 managed in wbich ITT has an equity stake in 26 with the rest franchised.

The final element in the diversified services group is ITT's communications, operations information services, known as Coins. Included in this group are companies that maintain the vital "bot-line" link between the White House and the Kremlin, ITT world directories, the leading publisher of Yellow Page directories outside the US, ITT's problematic long-distance telephone service and ITT Worldcom telex service—which is expected to be sold, perhaps to MCI.

"I see a very strong financial services organisation with an industrial group of companies which still have to be rationalised," says Nomura's Mr Feroandez. "Pulling the lynchpin out of its telecommunications husiness is clearly going to create a secondary ripple effect as ITT tries to rebalance its businesses without this major counterweight," he says.

The second surviving leg to the new ITT will he its industrial technology (Intech) husinesses, heavily focused on automotive products, electronic components and fluid technology products each of which have strong market positions.

Among the products sold by the automotive group, which represents about half the $3.2bn sales of the industrial technology division, are anti-lock breaking systems developed and manufactured in West Germany hy ITT's Alfred Teves company. Overall 47 per cent of the division's revenues last year came from North America, 33 per cent from West Germany and almost all the rest from other European countries.

Some fine tuning of the Intech operations appears likely, but whether there will be a further restructuring in this division is uncertain. ITT is expected to continue to expand its defence and space operations—currently lumped in together in its telecommunications division.

The defence and space group produces a wide range of tactical communications equipment for the military together with electronic counter-measure equipment for the B52 bomber. Also ITT Federal Electrie constructs and operates military hases for the US Government around the world. Last year these hnsinesses had a turnover of $1.4hn.

ITT's BUSINESS IN 1985
($ millions)

	Sales	Operating income	Identifiable assets
TELECOMMUNICATIONS	4,017	300	4,351
Telecommunications equipment	4,603	224	4,351
Defence and Space	1,414	76	638
INDUSTRIAL TECHNOLOGY	3,282	324	2,240
Automotive	1,568	134	7,997
Electronic components	993	113	793
Fluid technology	721	77	1,516
NATURAL RESOURCES	922	77	1,516
DIVERSIFIED SERVICES	9,680	343	23,378
Insurance operations	6,834	(19)	18,806
Financial services	1,302	246	7,849
Comm. operations & info. services	910	69	848
Hotels & community development	634	47	875
TOTAL	19,901	1,044	37,123

Research associate: Rivka Nachoma

Pebereau in big juggling exercise

BY DAVID MARSH IN PARIS

GROUPE CGE

THE AGREEMENT between CGE and ITT represents Mr Georgea Pebereau's biggest and most spectacular juggling act—as well as probably the most risky.

The link-up with the US multinational has been negotiated by the urbane CGE chairman with all bis customary flair for keeping an array of corporate and industrial policy balls in the air at the same time.

The accord still has to be formally approved hy the French Government, which is likely to give its decision by tbe end of the month. If the deal goes through, it will mark more than simply the crowning achievement in a series of moves over the last three years, with which CGE has wrested control of France's telecommunications and nuclear engineering industries, and stepped up its attack on international high-technology markets.

It could also hring within sight the strategic goal, to wbich the French and other European governments bave long paid lip service, of rationalising and streamlining Europe's highly-dispersed telecommunications industry.

Mr Pebereau has a clear vision of building up CGE's telephone subsidiary, Alcatel, strengthened by ITT's assets and by other companies such as GEC and Plessey of tbe UK, into Europe's main power in telecommunications, capable of challenging American Telephone & Telegraph (AT & T) and NEC of Japan.

Turning this dream into reality, however, is not so simple. Underlining both the rewards and the pitfalls which could result from the ITT deal, a French Government telecommunications official commented yesterday. "Wa think the accord is interesting—CGE would become the second world manufacturer. But ITT is a large chunk to swallow. The main difficulties are industrial. If Alcatel does not succeed, it could be destroyed financially."

A taste of the political complexity overhanging the ITT affair has already heen provided hy Mr Pebereau's long-running efforts to seal a commercial agreement with AT&T.

Although, at this point in CGE's affairs, Mr Pebereau seems highly unlikely to be sacked, his aides said yesterday that this uncertainty added to the general cloudiness surrounding details of the ITT deal.

Officials were stressing yesterday that the Government will he making its decision on the ITT deal on wider industrial policy grounds

Welding the two companies' networks may give mixed results. Following the landmark accord in 1983 under which Alcatel and Thomson merged their civilian telecommunications business in France. GGE has already discovered that bringing together two separate and previously competing telephone companies can be a slow and costly business.

In addition, the merger will strain GGE's financial resources just when it would like to preserve as bealthy a halance sheet as possible to prepare for denationalisation. CGE group had cash resources of FFr 8.8bn ($1.26bn) at the end of last year. This has since been swollen hy capital market fundraising by subsidiaries quoted on the bourse.

GGE's cash outlay on the ITT deal may turn out to be less than $1bn, depending on how many European companies decide to join

Georges Pebereau

Why system 12 failed to fly

BY JANE RIPPETEAU

"IMAGINE YOU have a nail, and somebody hands you a screw driver to drive it in with. You might find yourself baving to put threads on the nail in order to use it."

That, says an engineer Involved in development of ITT's problematic System 12 telephone exchange, sums up a flawed development process now taking its toll on the international conglomerate with some $4.6hn in telecommunications equipment sales.

From management failings to technology inadequacies, he says, "the tools supplied were not appropriate to the task."

In a profound corporate shift ITT (whose very name is an acronym including "telephone") is spinning its telecommunications business off into a new company of which it will own just 30 per cent. France's Compagnie Generale d'Electricite is to hold—at least initially—the rest.

In so doing, ITT hopes to insulate itself from the high costs and technical difficulties of competing in today's telecommunications environment. CGE gains access to ITT's extensive export markets. But it also takes on a costly, technology-dependent products with a jinxed life: the System 12.

It is not clear to what extent CGE plans to integrate the three systems that will comprise the new company's main switch products: its own E-10 family, including the MT20 switch, which industry sources say has not lived up to expectations, as well as System 12. They say it would be difficult to meld the three machines, which were developed at different times and were "guided by very different wills."

ITT and its competitors have all had to spend many millions of dollars developing the latest generation of telephone equipment. But particularly awesome are the newest switching systems—like automated multiples of the female-operated switchboards of yesteryear—that today harness digital technology to reduce operating costs and make possible the sophisticated computerised functions now demanded by users.

These machines cost in the range of $1bn to develop, and up to several hundreds of millions more annually to update, according to industry executives. To survive, producers from Stockholm to Tokyo must export beyond their home markets—especially to the huge US market, now dominated by American Telephone & Telegraph and Northern Telecom.

ITT admits that, with System 12, it lost over $100m trying to do just that.

"There was a misunderstanding (by ITT) of the magnitude of the job, and they ran out of money," says Mr Bruce De-Mayer, president of Ameritech Services, the Chicago-based central purchasing arm for five Mid-Western Bell telephone operating companies. One strategic error, he says, is that ITT announced it would stop developing an earlier variation of the machine (called the 1210) to throw efforts behind a more advanced version (the 1240): "People stopped buying it, so ITT lost the cash flow to develop the 1240," he adds.

Unable to continue its efforts to adapt System 12 to US market standards, ITT pulled out. It says it has delivered the machine to 13 other countries, with a total capability of handling 1m telephone lines (only three-quarters of which are in service). But it has had serious difficulties elsewhere. The company admits to delayed deliveries in Norway, Spain, Denmark and Mexico.

The root of System 12's problems dates from the early days of development, according to engineers and executives involved, who have since left the company.

Their comments underscore a drastic erosion of ITT's onetime drawing power among top engineers from such companies as AT & T's Bell Laboratories and L. M. Ericsson in Stockholm. Managerial misunderstanding of the development task is said to have exacerbated technical problems stemming from the system design and software.

For one, "ITT is virtually a federation," says Mr Peter Thomas, who left ITT's US System 12 operation to become president of its competitor, Ericsson Incorporated, in January. The decentralised company comprises somewbat autonomous national groups, such as Standard Elektrik Lorenz in West Germany.

ITT apparently tried to correct decentralised development a couple of times. According to Mr Kurt Katzell, now chief scientist at the Swedish Telecommunications Administration in Stockholm, who had left Ericsson to head technical development on System 12 at ITT in Brussels, ITT moved System 12 development from the US to its Brussels headquarters and back again two or three times. "System 12 development started in the US," he says, "and there was very poor connection with the old European engineering team."

Britain faces change as competition bites

GEC

BY JASON CRISP

THERE IS widespread agreement that Britain's own telecommunications supply industry also needs rationalising even if there is bitter disagreement about how it should be done. Such a rationalisation is the central argument in the General Electric Company's unwelcome hid for Plessey which is being reviewed by the Monopolies and Mergers Commission.

Although any restructuring of British telecommunications would be small compared with the ITT deal with CGE it would undoubtedly be fraught with similar complications. The once simple and comfortable world where three companies, GEC, Plessey, and the former ITT subsidiary, STC, shared the work to supply the Post Office with similar exchanges, bas long ended.

A new competitive environment and an earlier attempt to restructure the industry have resulted in substantial changes. Today British Telecom (BT) is buying no less than three incompatible digital exchange systems, two of which were developed overseas. Plessey, as a result of buying Stromberg Carlson in the US, now bas two incompatible systems and STC has none, only supplying a dwindling number of old-fashioned analogue systems.

Plessey and GEC Telecommunications both supply BT with System X and the problem is there is not really enough business for two companies. Exports are minuscule while BT expects to huy 2.4m exchanges lines of System X this year, worth about £500m.

System X has had an unbappy history and only now is it being installed in significant volumes, years after it was expected and its prospects in overseas markets are small, although GEC did say this week that it was talking to three Bell companies in the US about System X. Observers are sceptical about the likelihood of sales in the US because of Britain's late entry and the enormous adaptation costs.

But exchange prices are falling worldwide because of fierce competition and overcapacity helped by a reduction in the number of components and their prices. At the same time the cost of marketing and developing telecommunications equipment is rising.

In order to stimulate competition BT, which spent more than £350m on the development of System X, now huys a rival exchange from Thorn Ericsson, a joint venture between Thorn EMI and L. M. Ericsson of Sweden. Although it will only deliver 84,000 lines this year it is expected to rise to 300,000 next. And in less than 18 months there will he open competitive tendering between Thorn Ericsson and the two System X suppliers.

GEC argued in its hid for Plessey that a company combining their telecommunications interests could:

● keep manufacturing costs down through higher production volumes and so compete with foreign competition in the UK;

● better afford the cost of adapting System X for overseas sales;

● pool marketing and technical resources to tackle overseas markets;

● have more efficient research and development.

Plessey does not disagree with the logic except it naturally believes it should run it, not GEC.

Belgium expects to keep pivotal role

GENERALE
SOCIETE GENERALE DE BELGIQUE

BY TIM DICKSON IN BRUSSELS

THE VAST, chocolate-coloured tower that houses ITT's European headquarters dominates tbe skyline from its position in Brussels' once elegant Avenue Louise. A key question yet to be answered after this week's deal with France's Compagnie Generale d'Electricite is whether the building will remain the centrepiece of a newly enlarged European telecommunications equipment group.

Although 70 per cent of the new holding company will initially be controlled by the French partner—and only 30 per cent by ITT—the proposed involvement of other shareholders, including Societe Generale de Belgique, emphasises its intended European identity. It is thus possible that the strong French influence could be offset by a decision to set up the headquartera in Brussels.

The issue is certainly important for the 500 or so staff who work at ITT's headquarters, most of them on the telecommunications side and thus involved in the co-ordination of research, marketing and production for ITT's dozen or so European operating companies.

One of the most successful of these, Bell Telephone Manufacturing (BTM), is also located in Belgium with its headquarters in Antwerp. Bought by ITT in 1925 when AT&T was required to sell its European operations, BTM is a major equipment supplier to the Belgian telecommunications authority (RTT) and has played a leading role with ITT's other European companies in developing the System 12 switching system.

System 12 is already being installed in the Belgian telephone network but BTM is anxiously awaiting the outcome of the so-called "contract of the century"—a BFr 8bn ($116.5m) programme to introduce digital switching which is currently the subject of intense political lobbying. Siemens of West Germany is among other companies believed to he keenly interested in capturing a slice of this business.

BTM is ITT's principal export house for System 12 and exports 50 per cent of its output. It has also scored notable coups by setting up joint ventures in China and Turkey.

The implications of the ITT/CGE deal for the RTT sale of the century contract are not entirely clear. But the likely participation of Societe Generale de Belgique in the new holding company — it is widely expected to take a 10 per cent share — can hardly harm its chances.

Societie Generale de Belgique is the country's biggest and most powerful industrial holding group, and is closely tied to most sectors of the Belgian economy. The company bas an area'ets ETA SH ET SHR identified telecommunications as an area in which it wishes to be more involved, hut so far its main preoccupation has heen with ACEC, a company in which it and CGE bave between them a controlling interest.

ACEG's record bas been distinctly disappointing — it has not paid a dividend since 1968 — hut a recent rights issue was designed to breathe new life into the business and the new ITT/CGE tie-up may provide a further boost.

Bundespost welcomes new European group

SEL

BY RUPERT CORNWELL IN BONN

THE PLANNED joint venture between ITT and Gie Generale d'Electricite of France has drawn a generally positive reaction in West Germany, whose role both as potential customer and bome of the American group's largest European telecommunications subsidiary makes its attitude crucial for the scheme's success—assuming it first wins the approval of the Paris government.

Central to the new grouping is the presence within it of the Stuttgart-based Standard Elektrik Lorenz (SEL), in which ITT bolds a stake of 88 per cent.

SEL is the higgest of ITT's European subsidiaries, with sales of DM 5bn ($2.3hn), of which telecommunications and office equipment accounted for DM 3.3bn.

It has also played a major part in the development of ITT's system 12 digital exchange, and is the second largest supplier (behind Siemens) to the Bundespost, the West German telecommunications authority which, in turn, is the largest single European customer of the ITT group.

The early indications are that neither the future prospects of SEL—nor its relationship with the Bundespost, which is ordering a total of DM16bn of telecommunications equipment in 1986—would be jeopardised by an effective change in the West German company's ownership from American to French hands.

"What is important to us," a Bundespost spokesman said yesterday, "is that SEL carries out its existing contracts with us, both short-term and long-term. The question of which national flag it is sailing under is a secondardy concern." He left no doubt that SEL would be well placed to win future orders on a similar scale, "provided its products were right."

The mood, in public at least, was even more upbeat at SEL. A company spokesman said that collaboration with CGE would strengthen the international competitiveness of the European telecommunications industry, not only in Europe but in the world. Such considerations are vital to SEL, whose 18 domestic manufacturing units already export to 100 countries.

Specifically, the company is hoping that the new arrangements will enhance the prospects of System 12, whose development has cost ITT some $1hn, and wbich has been heset by difficulties—including ITT's failure to adapt it to the requirements of the US market.

"This is undoubtedly a positive step for SEL, and obviously System 12 will now come strongly into the reckoning in France," an industry analyst commented yesterday. Other experta, even more sanguine, felt that the deal might pave the way for a new attempt at the American market.

Implicit in the outwardly relaxed mood at SEL is the assumption that, in alliance with CGE as with ITT earlier, the West German company will still be able to operate on a relatively independent basis. "It's not a matter of SEL being sold, but of it merging with another company, to pool their know-how and marketing resources," the spokesman said. If the scheme did become reality, he added, it would mean the emergence of a genuinely European "telecommunications federation."

Privately, it is acknowledged that prohlems are likely to arise, particularly over how research and production will be divided between the new partners. SEL is confident, though, that the deal poses no threat to its current 32,000 workforce. "We have absolutely no fears for jobs here," the spokesman commented.

The final uncertainty, assuming that the French authorities give the joint venture their blessing by the promised deadline of the end of July, is wbether it might not run foul of the powerful West German cartel authorities.

The complications are most likely to arise from the fact that CGE has now acquired the telecommunications business of Thomson.

Telefonica aims at leading $300m Spanish interest

Telefónica

BY TOM BURNS IN MADRID

COMPANIA TELEFONICA, Spain's state-controlled telecommunications company, is to lead Spanish investment worth some $300m in tbe ITT-CGE venture.

Telefonica said negotiations to participate in the venture had been conducted "in close contact with the Spanisb Government." The company did not specify the equity that it was seeking in the venture nor which additional Spanish investors would be accompanying it.

"The Spanish investment in tbe project, in which Telefonica invites other Spanish institutions and investors to participate, will rise to approximately $300m," the company stated.

Telefonica's interest in the venture falls into the pattern of its growing participation in bilateral high-technology agreements and boosts the company's Government-sponsored role of leader of Spain's electronic sector.

The enthusiasm for the venture shown by the Spanish telecommunications company, which is 47 per cent state-owned, mirrors the Madrid government's expectations for other European projects auch as the Eureka programme. Spain is anxious to join in as many high-technology Euro-developments as possible at an early stage. The ITT-CGE venture is tailor-made to suit Spanish ambitions.

It is understood that Mr Luis Solana, Telefonica's chairman, a Government appointee and the driving force behind the company's expansion, closely monitored the negotiations between ITT and CGE and, at an early stage, received Government backing for Spanish participation in the joint venture.

Over the past four years Mr Solana, whose brother is Minister of Culture and Government spokesman has concluded a number of important deals that have ranged from ventures with AT&T to build a semiconductor base outside Madrid, to agreements with Futjitsu for manufacturing computers and with Corning Glass for producing optical fibres.

Telefonica already has a link with ITT through its 20 per cent stake in Standard Electricita, ITT's Spanish subsidiary. Standard Electricita employs 17,000 making it, in terms of workers, the second largest ITT subsidiary in Europe after its West German affiliate company, it supplies some 50 per cent of Telefonica's telecommunications equipment and is closely involved in developing a digital system for the Spanish company.

ITV tenders proposed in broadcasting reform

BY RAYMOND SNODDY

THE GOVERNMENT is considering extending the franchises of the 15 independent television (ITV) companies for up to two years to allow full consideration to a recommendation in the Peacock Report that ITV franchises should be put up for competitive tender.

Talks have already begun with the Independent Broadcasting Authority (IBA) on the relationship between the timetable for readvertising the franchises, expected late next year, and the Peacock recommendation.

Mr Douglas Hurd, the Home Secretary, said in the House of Commons yesterday that the Government had taken no decision on the franchise auction recommendation but was anxious that the option for change should remain open.

Mr Hurd was giving his initial reaction to the publication yesterday of the Peacock Report into the financing of the BBC which suggests a three-stage process of deregulation for British broadcasting.

The franchise auction suggestion, which was only advocated by four of the seven Peacock committee members, envisages giving the IBA the right to reject the highest bidder. If this happened, the authority would have to explain why.

The Government is considering a franchise extension because, once the next ITV franchise round gets under way, any radical change would effectively be pre-empted until 1998. The problem of timing is made worse because there is little chance of a broadcasting bill being brought forward before the next general election.

Mr Hurd rejected one of the report's recommendations – that Britain's three direct broadcasting by satellite (DBS) channels should be put up for competitive tender.

"We do not propose to disturb the work the IBA has in hand to make a contract for the provision of DBS services," Mr Hurd said.

The Home Secretary said the Government saw merit in ideas such as the recommendation to increase the proportion of television programmes supplied by independent producers. "The best way of achieving this will need careful consideration," Mr Hurd said. It is believed the Government is opposed to the Peacock recommendation of introducing quotas.

Report details, Page 9; Feature and Editorial comment, Page 16

Britain 'may act alone on air policy'

By Michael Donne

THE UK will be prepared to take its own unilateral measures to ensure greater competition in European air travel, if its fellow-members of the EEC fail to do so.

This was stressed yesterday in Paris by Mr Michael Spicer, Minister for Aviation, when he told the fourth transatlantic meeting of the Conservative Party's Bow Group that the UK would not budge from its plans to see more freedom for airlines and cheaper fares throughout Western Europe.

"The UK is determined to do all it can to find a negotiated solution to Europe's aviation argument," he said. "But my assessment of the situation would be deficient if I did not briefly survey the possible consequences if that proves impossible.

"The Commission has indicated that it is likely to initiate action to apply the competition rules using its own powers under Article 89 (of the Treaty of Rome).

"That means, eventually, court action against most of Europe's major airlines, and the prospect of only minimal exemptions for them from the full rigours of Community competition law.

"Similarly, the European Court has already told governments that, in the absence of Council agreement on how to apply the competition rules, it is open to individual countries to take their own action under Article 88.

"In the UK, we are already reviewing the arrangements we would need in order to do so. Implementation will be inevitable if there is not early and satisfactory agreement in the Council. I remain hopeful that, as so often in the European Community, when the pressure is really on, reason will prevail."

INQUIRY TO EXAMINE BRITISH SUGAR'S ROLE

Feruzzi's interest in Berisford faces monopoly probe

BY LIONEL BARBER

THE GOVERNMENT yesterday referred the possible acquisition by Ferruzzi, the Italian food and agricultural group, of S&W Berisford, the UK commodity trading group, to the Monopolies and Mergers Commission.

The Monopolies Commission is already studying a £480m conditional offer for Berisford by Tate & Lyle, the UK sugar refiner. Both Tate and Ferruzzi are primarily interested in buying or taking control of Berisford's wholly-owned subsidiary, British Sugar, the UK beet monopoly.

Mr Paul Channon, secretary of state for trade and industry, considered that Ferruzzi's proposed acquisition raised issues of public interest arising from the special nature of the sugar market and British Sugar's place in it.

If Ferruzzi gained control of British Sugar, its current 18 per cent share of the EEC sugar market would rise to 23 per cent. If Tate succeeded in buying British Sugar, it would double its present UK market share to more than 90 per cent.

Ferruzzi had pressed for a Monopolies Commission inquiry so that it would be on an equal footing with Tate. Both groups argue that the sugar industry, highly regulated by price and production, should be viewed in an EEC and not solely UK context. Last night, the Italian group welcomed the inquiry, which is expected to be completed within six months.

Tate declined to comment on the Ferruzzi reference. But, along with its merchant bank advisers, S.G. Warburg, Tate is pressing the Trade Department to give it the freedom to raise its stake in Berisford from the current 9 per cent to 23.7 per cent, to match Ferruzzi's holding.

The aim is to ensure that Tate would not be at a disadvantage in a future bid battle for Berisford, providing the Monopolies Commission allows both contenders to proceed.

Ferruzzi bought a 14.7 per cent stake from Hillsdown Holdings, the UK food and furnishing manufacturer, which launched and then dropped a £486m all-share offer for Berisford last April. By moving over the 15 per cent mark, Ferruzzi is obliged to provide a cash alternative to any future offer.

Rumour damaging RUC, says minister

By Kevin Brown

THE ROYAL Ulster Constabulary is being damaged by "rumour and innuendo" surrounding the suspension of a senior police officer investigating the force, Mr Tom King, the Northern Ireland Secretary, told the Commons yesterday.

Mr King rejected a call from Mr Michael Meadowcroft, a Liberal MP, for the RUC inquiry to be delayed until investigations of alleged misconduct against Mr John Stalker, deputy chief constable of Manchester, had been completed.

Mr Stalker's conduct is being investigated by Mr Colin Sampson, chief constable of West Yorkshire, who has also taken over the inquiry into an alleged shoot-to-kill policy operated by the RUC.

Mr King told MPs at Question Time: "My concern is that this matter should now be pursued as vigorously as possible, the facts established, and – if charges are to be brought – those charges should be brought at the earliest possible date."

He added: "At the moment, we have innuendo and rumour affecting matters that happened four years ago, which is undoubtedly doing great damage to a force of outstandingly brave men who are seeking to uphold law and order in the province."

Mr King was asked by Mr Douglas Hogg, a Conservative MP, to ascertain whether anyone in Northern Ireland had been involved in the lodging of complaints against Mr Stalker.

Mr King said there was no evidence that this was the case.

Mr Seamus Mallon, SDLP MP for Newry and Armagh, said the appointment of Mr Sampson to head both inquiries would inevitably delay the RUC investigation.

Trustee Savings Bank wins legal battle over ownership

BY NICK BUNKER

THE TRUSTEE Savings Bank (TSB) yesterday won in the House of Lords the eight-month-old legal battle over its ownership. Five law lords, led by Lord Keith of Kinkel, dismissed claims by depositors that the bank's surplus assets belonged to them.

The ruling, which came after a four-day hearing, has opened the way for stock market floation of the £800m banking group, which the City of London now expects to occur this September.

Flotation was originally scheduled for last February but was delayed after Mr James Ross, a Scottish depositor, argued successfully in the Scottish courts that the depositors, and not the TSB itself, were the "sole beneficial owners" of all the bank's assets.

He claimed that depositors' rights to the bank's surpluses had not been taken away by the Act of Parliament which authorised flotation.

Mr Ross's victory was later overturned on appeal, but the TSB sought a Lords ruling to settle the issue at the highest level.

The Lord's yesterday dismissed appeals brought by Mr Ross and the Rev John Vincent, a Methodist clergyman, representing English and Welsh depositors. Their legal costs are being paid by the TSB, which has been anxious to have the issue resolved as quickly as possible.

Lord Keith said that full reasons for the decision would be published later. But he declared that TSB depositors were entitled only to the repayment of the money in their accounts, plus interest due, and had "no present or future rights" in any surplus.

Neither Mr Ross nor Mr Vincent was present to hear the Lords reject their case. Their lawyers said that they would await the full text of the ruling before deciding whether to take the matter to the European Court of Human Rights.

London and Moscow sign agriculture deal

BY DAVID BUCHAN

BRITISH participation in the Soviet Union's ambitious programme to become self-sufficient in food will be facilitated by a co-operation agreement signed yesterday in London.

The memorandum of understanding, signed by Mr Michael Jopling, the Agriculture Minister, and Mr Vsevolod Murakhovsky, chairman of the Soviet state agro-industrial committee (Gosagroprom), provides for the exchange of scientists, technical information, samples of plants and farm equipment, and for joint research.

The governmental accord matches an increased export push by UK companies in the agricultural, food processing and packaging sector, which Mr Paul Channon, the Trade Minister, stressed in talks he also held yesterday with Mr Murakhovsky. These companies will be putting on a special exhibition in Moscow next February, known as Britagroprom.

Mr Murakhovsky, a close protege of Mr Mikhail Gorbachev, the Soviet leader, is on a week-long visit to Britain.

British agricultural exports to the Soviet Union amounted to £145m last year, of which £95m were cereals, while imports were only £14m. The growth export areas are seen as agro-chemicals, seed, livestock, farm machinery and food processing equipment.

Miller Buckley goes into receivership

By Joan Gray

MILLER BUCKLEY, the construction group, and its parent company Buckley Investment have been placed in receivership after heavy losses on the group's overseas property interests.

The Miller Buckley group has about 500 direct employees and a turnover of approximately £50m per annum.

Mr Paul Evans, speaking for the receivers, Price Waterhouse, said that the biggest company in the group, Miller Buckley Construction – with a turnover of £30m and 40 contracts under way – "had been run profitably for a number of years."

Volvo subsidiary's profits rise 27%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO'S UK truck and bus subsidiary last year increased its turnover by 6 per cent, its pre-tax profit by nearly 27 per cent and boosted the dividend payment to its Swedish parent by 46.5 per cent.

Mr Bernt Brandtzaeg, the managing director, whose own pay was lifted by 18.8 per cent to £58,335, said yesterday the results for 1985 were "satisfactory, considering the continuing overcapacity in the commercial vehicle industry and depressed product prices."

Volvo Trucks (Great Britain) – which imports trucks, has several wholly owned distribution outlets and an assembly plant at Irvine on the west coast of Scotland – increased turnover last year from £153.3m in 1984 to £162.5m.

Taxable profit rose from £2.677m to £3.392m. After tax and extraordinary charges, profit was £2.431m compared with £2.272m in 1984.

The dividend payment has been lifted from £945,000 to £1.384m.

Volvo (GB) still has some way to go to match the record pre-tax profits of £8m achieved for 1979. In common with most other truck business in Britain, the steep fall in demand in 1980 and 1981 sent the company into losses.

Mr Brandtzaeg pointed out that, while Volvo's truck registrations increased last year from 4,362 to a record 4,948, the introduction of the new FL range of vehicles left the company short of supply. Its share of the UK market for trucks over 3.5 tonnes consequently fell from 8.5 per cent to 8.1 per cent.

During 1985, the major rationalisation programme at the assembly plant in Scotland was completed. A £500,000 investment has doubled the assembly area and helped productivity improve so that the time to build a vehicle has been cut by as much as 25 per cent.

A second major project, costing £250,000, was given the go-ahead in December, and this will enable Irvine to be upgraded from a knock-down kit assembly facility to a main plant status within the Volvo group.

The company set up Ailsa Trucks Finance during 1985 "to cope with a trend among truck operators to opt for service and finance-related packages rather than outright vehicle purchase."

Following the removal of the parts and training operations to Warwick in the Midlands of England last year, Volvo recently revealed it was to relocate sales and headquarters staff from Irvine to a new £4m building in Warwick by 1988. Mr Brandtzaeg stressed that assembly operations would remain at Irvine.

The report shows that Volvo (GB) employed 723 people at the end of 1985 against 707 in December 1984. Volvo cars are imported to the UK by a subsidiary of the Lex group.

Winter holiday price war

□ INTASUN, Britain's second-biggest package tour operator, made it clear yesterday that the battle with Thomson Holidays, the leader in the field, would extend from summer holidays through to the winter sun and ski season.

The organisation, part of the International Leisure Group, is increasing the number of winter sun holidays by a third to over 400,000 this winter and is offering prices cheaper in many cases than last winter. For family holidays, in particular, savings of up to 30 per cent compared with last year are being offered.

Intasun claims its winter sun prices are more than competitive with Thomson Holidays, but Thomson has made it clear that, if its prices are widely undercut, it will produce a new brochure.

□ MANY SHIPS supplying the North Sea oilfields were halted yesterday by a strike called by the National Union of Seamen. The employers and the union are due to resume negotiations today over the dispute, which arose from demands by the employers for cuts in labour costs of about 25 per cent, mainly through pay cuts and increases in the amount of time spent working on the ships.

□ DUNLOP Oil and Marine, a subsidiary of BTR, announced plans to build a £10.5m factory employing 150 people in Newcastle upon Tyne. The plant will produce a high-pressure flexible pipe which will be used to exploit previously uneconomic oilfields offshore.

□ BUILDING SOCIETIES are to be allowed to offer share buying schemes to the public under the Government's Personal Equity Plan. The plan, outlined in the budget, offers tax incentives to people investing up to £120 a month, or £2,400 a year, in buying shares. The purpose is to extend share ownership as widely as possible.

□ THE BOOM in private-sector housebuilding is showing signs of slowing down, according to statistics from the Department of the Environment. It estimates that a total of 17,200 dwellings were started in Great Britain in May 1986, compared with 18,800 in May 1985.

Scottish electricity to reduce use of coal

BY MAURICE SAMUELSON

THE SCOTTISH electricity industry, which can meet nearly all its needs by nuclear and oil-fired capacity, confirmed yesterday that it is cutting the amount of coal it is to use for supplying local electricity customers.

Its announcement strengthened fears of job losses in the Scottish coalfield, where 10 surviging pits now employ between 7,000 and 5,000 me.

Under its latest agreement with the National Coal Board, the South of Scotland Electricity Board will purchase 3.6m tonnes of NCB coal by the end of the current financial year, compared with 5m tonnes a year prior to the year-long miners' strike.

The deal contrast sharply with the recent agreement by the Central Electricity Generating Board to stand clear of the fuel oil market and to remain primarily dependent on British coal if the NCB maintains its improving competitiveness.

Since the collapse of the oil price early this year, the SSEB had been burning enough oil to halve its weekly coal order from the NCB.

Christie Group buys Pinders

BY FIONA THOMPSON

CHRISTIE Group, the parent company of Christie & Co., Britain's largest business agents, has bought David J Pinder and Partners, Britain's largest business valuers.

Pinders, based in Newport Pagnell, Buckinghamshire, values between 40 and 50 per cent of all independent businesses in the licensed, leisure, retail and medical sectors which pass through the UK financial system each year.

The company provides its clients, mainly UK finance houses and clearing banks, with valuations, known as Pinder Reports, normally to support loan applications.

The valuation is a confidential assessment of a business's current trading performance, its prospects of performance under the intended new owner and a comment on the value of the deal struck. More than 8,000 Pinder Reports a year are compiled.

A new company, David J Pinder Ltd, has been formed to take over the partnership. All the existing partners have been appointed to this new board.

The business will retain its management independence, said Mr David Rugg, Christie Group managing director.

A detailed contractual condition precludes the involvement in the day-to-day management or operations of David J Pinder of any executive staff in any of Christie Group's existing subsidiaries and vice versa.

"We are absolutely happy that the integrity of the people involved is such that there is and will be no conflict of interest," Mr Rugg said.

Christie Group would not reveal the purchase price and turnover for Pinders, but said the acquisition was funded by cash provided from group resources, together with support from Barclays Bank and the Bank of Scotland.

All of Pinder's clients have been informed of the move and the company's major users – the banks – were consulted before the deal was signed.

Willis seeks to avoid union split over Wapping

BY HELEN HAGUE, LABOUR STAFF

EXPULSION of the electricians' union EETPU from the Trades Union Congress (TUC) would oot help the print unions to reach a satisfactory settlement in their dispute with Mr Rupert Murdoch'a News International, Mr Norman Willis, the TUC general secretary, sald yesterday.

Mr Willis was speaking to delegates at the conference of the National Graphical Association (NGA), which earlier this week voted unanimously to seek the expulsion of the EETPU at the TUC's Congress in September if the dispute is not resolved.

The five-month-old dispute is over the transfer of News International's four newspaper titles to Wapping, east Londoo, and the sacking by the company of 5,500 print workers. Some members of the EETPU are working at Wapping.

Mr Willia told the NGA that the EETPU's expulsion would be a "recipe for more Wappings." He said splits in the TUC on the issue would be counter-productive.

He hoped an acceptable outcome to the dispute could be reached through all five unions involved – including the EETPU – working together. "We won't achieve that with one or more unions partially or wholly ostracised from the rest."

The TUC had tightened up on strictures regulating single union deals, which would guarantee that the "deplorable situation" at Wapping could not be repeated while unions remained in the TUC.

"But if anyone is out of the TUC, there is scope for a repetition to the eventual detriment of all print union members. I'll be doing what I can to avoid that, as well as to effect an agreed end to the Wapping dispute," Mr Willis said.

He ruled out a direction by the TUC to the EETPU to instruct its members to leave the Wapping plant.

Mr Willis acknowledged that the TUC had found it harder to rely on "unquestioned loyalty" from affiliates. Arguing against attempts to purge such organisations, he said priority must be given to keeping the TUC intact at a time when a "hostile government and capricious employers were on the offensive." The union movement must not be allowed to fracture for "internally generated reasons."

Lisa Wood charts a bitter lesson in marketing

British brewers retreat from Continent

THE proposed sale announced recently by Grand Metropolitan, the drinks, leisure and hotels group, of its remaining Continental European brewing subsidiary is further evidence of the difficulties British brewers have had in venturing across the English Channel.

It was Watney Mann & Truman, before it was acquired by Grand Metropolitan in 1972, which was the major trailblazer on to continental Europe where it bought the Maes Brewery in Belgium in 1966 and the Stern brewing company in West Germany in 1973. Stern was sold earlier this year and Maes is about to be sold to a new joint venture company.

Other big brewers which followed the trail to the Continent – at a time of optimism about the opportunities afforded to Britain by joining the Common Market – included Bass, which purchased the La Motte Brewery in Belgium; Vaux, which acquired Liefmann'a in Belgium; Whitbread, which took a share in an Italian brewery; and Allied Breweries, which acquired Oranjeboom's Rotterdam brewery in 1967.

"At that time in the UK there was the rise in big national ale brands, such as Double Diamond, which were available from Lands End to John O'Groats," said Mr Colin Mitchell, of stockbrokers Buckmaster Moore.

"That thinking was naively translated into Europe where tastes were much more parochial and the industry more fragmented. And it's a market still very fragmented despite the obvious leaders such as Heineken."

Soon only Allied Lyons will have a brewery on the Continent, where it competes directly with Dutch breweries. Whitbread has a plant in Belgium which packages and distributes imported Pale Ale and Campbell's Scotch ale.

While Whitbread claims its subsidiary is profitable, that of Allied Lyons, which brews Skol lager, has has a troubled past with depressed volumes of beer consumption in the Netherlands coupled with pressure on profit margins because of government price controls.

Few of the brewers are keen to talk about their European continental excursions. In many cases those involved in the strategy are no longer at the helm. Traditional brewers have been replaced by men with a background in branded consumer products and retailing, identified by the industry – in particular by Guinness, Grand Metropolitan and Allied Lyons – as major areas for growth.

Mr Paul Nicholson, chairman and managing director of Vaux, the Sunderland brewery which sold its Liefmann's brewery in Belgium last year, said: "Lager is the main drink on the Continent, although Belgium has a tradition of some darker beera. So, British brewers sending over their alea either had a small market or, if they tried to produce mainstream products, were up against competitors which had been in the market much longer."

Vaux, like other brewers at the time, thought that by gaining a foothold in an Continental market it could move the product into others, an important target being West Germany, the biggest beer market in the EEC.

But it found that in addition to transport costs there was the greater problem of the ancient Reinheitsgebot – a German purity law – which allows only malted barley, hops, yeast and water to be included in beer. It is a law which still in effect keeps the huge German market closed to other European brews and one which is currently the object of a contested European Court of Justice ruling that it violates free trade within the Community.

Mr Alan Evans, of Meinhard Associates, consultants, also points out that British brewers, in their ventures on to continental Europe found a very different retailing scene where they did not have the benefits of a tied estate through which to sell their beer.

"On the Continent the market was, and is still, much more oriented towards take-home than Britain and the brewer has a much reduced margin," said Mr Evans. "Maes, for example, by Belgian standards did quite well, but as far as Grand Metropolitan was concerned profitability was restrained."

At the same time, said Mr Evans, as the British were venturing into Northern European markets, the long-term trend in those countries was downward for beer consumption. "It could be argued that the brewers should have been building breweries in southern European countries where beer consumption has increased," said Mr Evans. "Conversely you do not have to own a brewery in a country to sell beer there."

Ironically instead of the Continent being awash with British ale brands, its is the British who have developed a taste for continental brews. Lager brands brewed by British brewers under franchise or imported from European continental and other foreign brewers accounted for an estimated 80 per cent of the fast growing UK lager market before the recent announcement by Bass that it had acquired the trademarks of Carling Black Label and Carling lager from Carling O'Keefe, the Canadian brewer. For the last 30 years Bass has produced the product under licence.

No British ale brands are produced under franchise by any Continental brewer, although there is a small, but growing market for English beers directly exported to the Continent with the charisma of an imported drink.

Last year such exports, at 323,000 barrels, were worth more than £17m, with major brands including those of Guinness and Bass.

But such business is tiny compared with the current preoccupations of the UK brewing industry which, in addition to retailing and major diversifications such as hotels, is now concentrating on the development of international wine and spirits branded businesses.

Such objectives have plunged the industry into its current round of takeovers – as with Guinness acquiring the Distillers portfolio of international brands and Allied seeking to acquire the Hiram Walker drinks business. It is a market shake-up that may not be finished yet.

THE WORLD'S TOP BEER CONSUMERS

1983

Source: Euromonitor

Sunshine boosts drinks business

By Christopher Parkes

THE BRIEF appearance of the sun in June and early July after May's miseries has raised spirits in the UK drinks trade.

The Wine and Spirit Association said yesterday that according to trade reports, appetites awakened by the arrival of fine weather suggested that sales for 1986 might grow by as much as 7 per cent.

Up to the end of April the year-on-year increase in sales of wine had been only 3.1 per cent. According to official Customs and Excise figures, releases of wine from bond between January and the end of April were 4.1 per cent lower than in 1985.

The Brewers' Society, reporting a 3 per cent decrease in May beer production, compared with a 1.2 per cent fall for the year so far, was also cheered by the onset of summer.

Pubs and retailers had stocked up in April only to be disappointed by the climate. May proved no better.

However, officials said trade had taken off recently and, in London at least, it was becoming difficult to find draught beer that had been properly conditioned as supply lines were stretched.

British Gas forecast to pay big dividends

BY LUCY KELLAWAY

BRITISH GAS is likely to pay its shareholders "substantial" dividends costing the corporation between £250m and £325m in the first full year after its privatisation in November, according to James Capel, one of the three stockbrokers assisting the Government with the issue.

In a 50-page report analysing the corporation and the market in which it operates, the broker states that the fall in oil prices will have a detrimental effect on British Gas, at least in the short term, as customers substitute cheap fuel oil for gas. However, in the longer term, the effect should be "broadly neutral" as after a time-lag gas purchase costs would react to lower oil prices.

James Capel concludes that although profitability is likely to fluctuate as gas selling costs and purchase prices diverge, the underlying performance is "very sound, with scope for growth."

The report presents a cautious view of the outlook for gas demand. Indeed, its says demand over the next two years is likely to be lower than in 1985, when sales were boosted by exceptionally cold weather. Domestic demand, which makes up over half of British Gas' sales, could fall by 2 per cent this year, despite some small increase in market share, before rising at an average of 2 per cent a year for the rest of the decade.

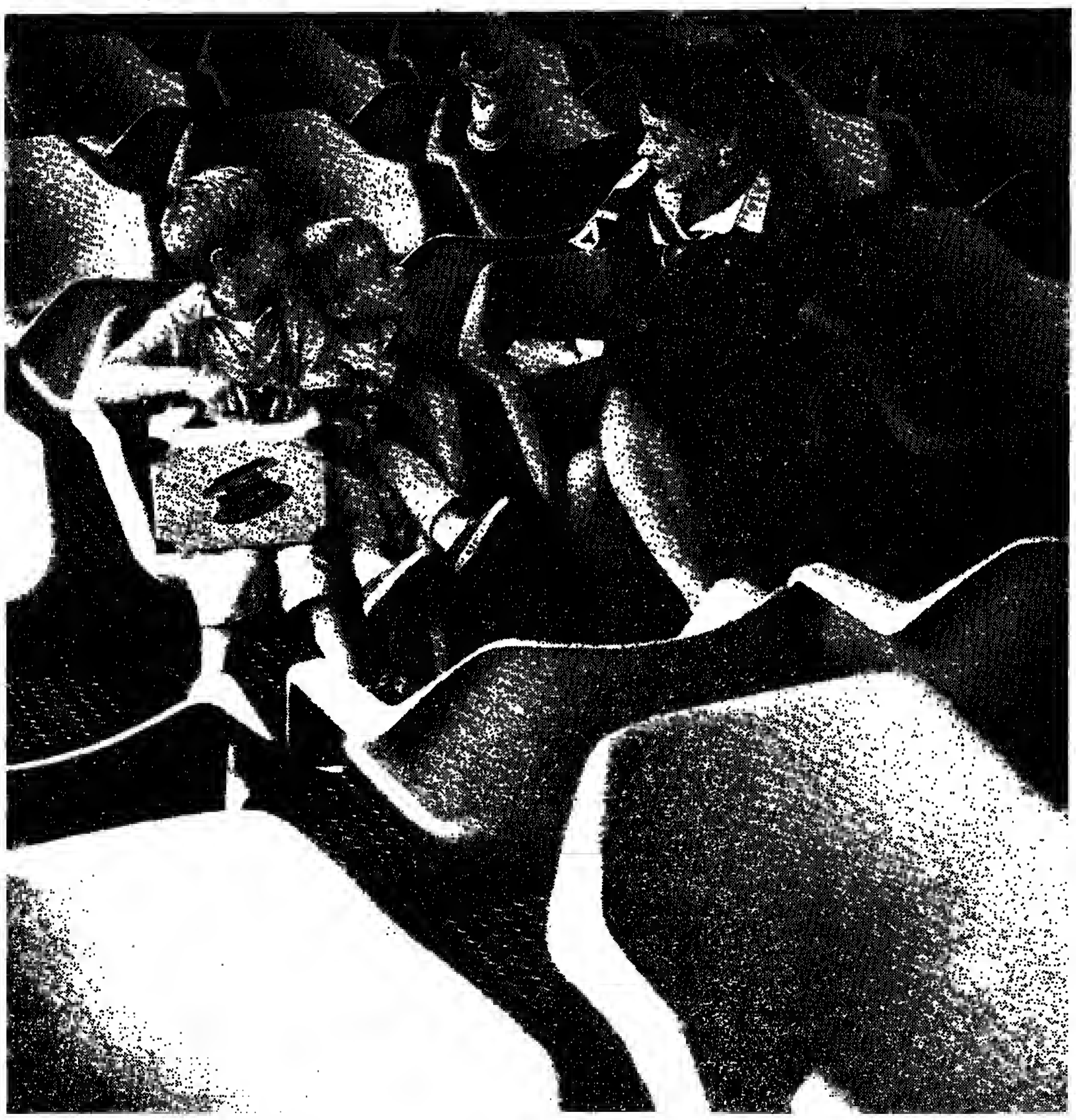
Domestic prices, which will be set by a tariff formula, are unlikely to increase for the next two years, as a result of falling inflation and lower gas costs, the broker says.

In the industrial sector, which accounts for about a third of British Gas's turnover, total energy demand is likely to stay constant for the rest of the decade, James Capel estimates. However, as a result of competition from cheap fuel oil, gas may lose some market share.

British Gas is due to publish its results for the year to March 1986 at the end of this month. James Capel forecasts a pre-tax profit on a historic cost basis of £1.1bn, an 8.5 per cent increase over the previous year.

The after-tax figure is likely to be lower than last year's due to a tax charge inflated by the phasing out of capital allowances and a change in depreciation policy. Net income is forecast at £710m.

Despite the £2.5bn debt with which the corporation will be burdened after privatisation, its balance sheet will remain strong, with gearing of 33 per cent. This is not high for a company which generates cash, the broker argues. Assuming that the debt had been in place during the last year, the corporation would still have produced surplus cash of £290m after heavy capital expenditure and allowing for £165m net cost of servicing the debt.



Mistakes by Irish officials 'cost £17m'

By Maurice Samuelson

A SERIES of miscalculations by Northern Ireland officials about the economics of an abortive plan to import gas from the Irish Republic unnecessarily cost British taxpayers £17m, says a highly critical report by the House of Commons Public Accounts Committee (PAC).

In a report on the plan to import offshore gas from the Kinsale Field, near Cork, Ireland the PAC uncovers a series of alleged weaknesses in the decision by the Department of Economic Development to proceed with the plan in 1983, only to cancel it 11 months later. They include:

- Using a 32-year period for appraising the investment even though the gas supply contract would have run only for 22 years;
- Relating the proposed gas purchase price to a ratio between crude oil and fuel oil prices which the Department of Energy later said was too low; and
- Over-estimating the size of the Northern Ireland gas central heating market and under-estimating the inroads being made by coal.

The PAC defers comment on the difficulty which the Northern Ireland authorities are experiencing in recovering some or all of the £5m which was advanced on confidential terms to the Republic to help build the natural gas pipeline as far as the Northern Ireland border.

Accountancy fees

IN THE Financial Times UK accounting firms league table for 1985, published on July 2, Spicer & Pegler was reported to have generated £44m in fees. The figure of £44m was supplied to the FT last month by Spicer & Pegler.

Spicer & Pegler has asked us to say that the correct figure is £44.8m, a 31.8 per cent rise compared with 1984.

UK NEWS–THE PEACOCK REPORT

Manifesto for broadcasting change

Reports by Raymond Snoddy

THE Peacock Committee into the financing of the BBC yesterday proposed radical changes to Britain's system of broadcasting eventually designed to lead to viewers buying individual television programmes as they do books.

The committee, set up by Mr Leon Brittan, the then Home Secretary in March 1985, believes that technological developments in cable television, direct broadcasting by satellite and subscription television, should in time enable a broadcasting market to be created akin to that which has existed in print publishing in the UK since 1694.

"British broadcasting should move towards a sophisticated market system based on consumer sovereignty," the report says. Viewers and listeners are the best ultimate judges of their own interest, which they can best satisfy through the purchase of broadcasting services from as many alternative sources as possible.

The committee was set up at the time the BBC was given a £58 annual colour television licence for a three year period. It was partly a response to lobbying from the advertising industry for the right to advertise on BBC Television and growing opposition, largely on the Conservative backbenches, at the rate of increase in the licence fee which funds all BBC services.

The committee was asked to assess the effects of introducing advertising or sponsorship as an alternative to a supplement to the licence fee and the effects of such a move on the rest of the media.

In fact the committee decided that the BBC should not be required to take television advertising for the foreseeable future and recommended instead that the licence fee should be indexed to the retail price index. It found that sponsorship of programmes would raise relatively small amounts of new money.

Instead it has come up with a three-stage manifesto for the near-total deregulation of British broadcasting. It relies on the final clause in its terms of reference—"to consider any proposals for securing income from the consumer other than through the licence fee"—as the basis for this wide-ranging approach.

The three stages envisaged are: the indexation of the licence fee; direct subscription to replace the main part of the licence fee; multiplicity of choice, with pay-per-view as well as pay-per-channel.

The total of 18 main recommendations range from the auctioning of ITV franchises to the highest bidder; a 40 per cent quota of independent productions on BBC and ITV within 10 years; and the removal of the special regulation over matters of taste and balance so that broadcasting would simply be subject to the normal law of the land.

The radical approach is necessary, the committee argues, because the status quo in British broadcasting is now unstable.

If cable and satellite broadcasting developed to the extent that they began to compete for audiences, this would either have an impact on the BBC's programming policies as it tried to maintain audience share, or it would make the continuation of the licence fee difficult politically.

If cable and satellite did not develop, the evidence is that ITV revenue would grow at a high rate. The BBC would be under enormous pressure to compete and rising claims for licence fee increases would lead to growing consumer resistance.

The committee says that all its recommendations are designed to form part of a coherent strategy and "it is not possible to pick and choose at will among them without destroying the whole thrust."

An outside body, possibly the Commons select committee on home affairs should periodically review the progress made in implementing the report and in particular advise on when it was time to move on to the second and third stages.

The committee says it has neither sought to "get the BBC off the hook" nor persecute it. Its ultimate objective was direct consumer choice rather than a continuation of the licence fee.

"Eventually we hope to reach a position where the mystique is taken out of broadcasting and it becomes no more special than publishing became once the world became used to living with the printing press," the report concludes.

Home Office: Report of the Committee on Financing the BBC, Cmnd 9824, HMSO, £18.80.

Recommendations towards wider variety

THE committee put forward 18 recommendations for "prompt action," designed to take the first steps this decade towards widening consumer choice through the new technologies.

1. All new television sets sold or rented in the UK from the beginning of 1988 should have a special socket to interface with a decoder to deal with encrypted signals.

2. BBC Television should not have to take advertising as long as the present organisation and regulation of broadcasting last.

3. The licence fee should be indexed on an annual basis to the general level of inflation, with the suggested index linked to the retail price index. The BBC would be able to apply for extra rises for a defined period, if there were unexpected costs or an increase in its obligations.

4. The BBC should manage the collection if its licence fees and invite proposals for the most efficient collection and enforcement system.

5. A separate licence fee of not less than £10 for car radios should be charged on condition the money is used to reduce the cost of the television licence.

6. Pensioners drawing supplementary benefit in households wholly dependent on a pension should be exempt from the licence fee.

7. The BBC should have the option to privatise Radio 1 and Radio 2 and local radio, in whole or in part, with looser IBA regulation of radio.

7(a). Five committee members recommended that Radio 1 and Radio 2 should be privatised and financed by advertising and, apart from community radio commitments, all further radio frequencies becoming available should be auctioned to the highest bidder.

8. The BBC and ITV should be required over a 10-year period to increase to not less than 40 per cent the proportion of programmes supplied by independent producers.

9. The non-occupied night-time hours (1 am-6 am) of the BBC and ITV should be sold for broadcasting.

10. Franchise contracts for ITV contractors should be put out to competitive tender. If the IBA awarded a contract to other than the highest bidder it should make a public statement of its reasons.

11. Franchises should be awarded on a rolling review basis with a formal annual performance review by the authority.

12. Consideration should be given to extending the franchise period, perhaps to 10 years.

13. Franchises for direct broadcasters by satellite, DBS, should be put out to competitive tender.

14. Channel 4 should be given the option of selling its own advertising time and would then no longer be funded by a subscription from the ITV companies.

15. National telecommunications system (British Telecom, Mercury or subsequent entrants) should be able to act as common carriers providing a full range of communication services including television programmes.

16. The restriction of cable franchises to EEC-owned operators should be removed.

17. All restrictions for both the pay-per-channel and pay-per-programme options should be removed, not only for cable but also for terrestrial and DBS operations.

18. As regulation is phased out the normal laws of the land relating to obscenity, defamation, sedition and other similar matters should be extended to cover the broadcasting media and any present exemptions should be removed. As an immediate step to reduce pre-broadcasting vetting the legal responsibility as publisher, in the case of ITV, should be transferred from the IBA to the ITV contractors and ITN.

Other longer term suggestions include:

(a) The creation of a Public Service Broadcasting Council, rather like the Arts Council, which would commission or fund minority programmes for showing on all channels which the free market might not otherwise deliver.

(b) The transmission responsibilities of both the BBC and the IBA should be removed to a separate authority, the Broadcasting Transmission Authority, during the 1990s.

Advertising on BBC 'might limit choice'

THE COMMITTEE decided that BBC Television should not be required to take advertising because it might cause "a reduction in the satisfaction and range of choice available to viewers and listeners."

A study conducted for the committee by the Centre for Television Research at the University of Leeds, concluded that on any one day in the UK, the range of choice of television programmes is greater than in most countries, including the US.

Among the professional broadcasters of Europe there was also a high respect for the quality of British output. The committee said on its visits abroad it encountered expressions of amazement "that the British should be thinking of changing their system, which is almost universally admired."

The committee believes that progressive introduction of advertising on the BBC might affect the range and possibly the quality of programmes available, although the initial impact might be small.

Competitive audience seeking behaviour between the BBC and ITV would be likely "as the temptation to make pre-emptive changes in programming and thus improve market share would be very strong."

Research showed that even if the BBC were to take a limited amount of advertising on its television services, the total revenue for broadcasting obtained by advertising would be lower than if no advertising were introduced on the BBC.

"Under these circumstances the consumer would receive more advertisements but less finance would be available for broadcasting in total than would have been the case had no advertising been introduced on the BBC," the report argues.

The smaller independent companies would have more problems in maintaining and improving the range of their programmes than the BBC, which might be well able to compete very effectively. The main defect of a system based on advertising finance is that channel owners do not sell programmes to audiences but audiences to advertisers. As long as the present duopoly remains and competition is limited to a fringe of cable and satellite services, the introduction of advertising on BBC television is likely to reduce consumer choice and welfare.

With competition for advertising revenue and hence a pressure to maximise revenues, a station would broadcast the comedy programme in preference to the arts programme.

"One of the attractions of advertising for the BBC compared with the licence fee is the superficial impression that it provides 'free' broadcasting services. But there is no more a free lunch in broadcasting than in other spheres," the committee argues.

The committee decided to consider sponsorship as only one form of advertising and would generate little revenue. One study estimated that the BBC was unlikely to generate more than 5 per cent of its income from sponsorship and that most of this would come from companies' existing publicity budgets anyway.

BBC welcomes funding plans but not deregulation

MR STUART YOUNG, chairman of the BBC, welcomed the report's conclusion that the BBC should continue to be funded by a licence fee system for the forseeable future, and should not be obliged to take advertising.

In particular he noted that the report specifically underlined the dangers of a ratings war for advertising funds which would "reduce the choice of programmes available to the public."

Mr Young said the BBC also supported the Peacock Committee's fresh look at ways of paying the licence fee: "I am glad to see that it proposes that the BBC will have direct involvement in collecting the licence fee," he said.

"We are interested in the committee's view that the public should have an indication of the steps by which licence fees are likely to rise, and the possibility of establishing an objective measure of rising costs.

"We do not, however, believe the retail price index is the appropriate indicator of those costs, but we shall continue to help in the search for a workable formula."

Mr Alasdair Milne, director general of the BBC, welcomed the committee's recognition of the value of public service broadcasting.

On the question of a 40 per cent quota in television for independent producers he said: "The independent sector is growing and will continue to grow with our active support. However, much programme making — for example, news, current affairs and sport — is unlikely ever to lend itself to this type of production. As an overall figure, therefore, 40 per cent seems unrealistically high."

On the recommendations for radio and the committee's split vote on the future of Radios 1 and 2, Mr Milne said: "We welcome the news that the Home Secretary is to produce a green paper on all radio matters.

"As far as Radio 1 and 2 are concerned it remains our policy to try to offer an effective range of programmes to all sections of the public. We believe, therefore, that Radio 1 and 2 listeners have the same claim to a share of the BBC licence fee as do the listeners to Radio 3 and 4."

On the broad thrust of the committee's report, in favour of step-by-step deregulation, Mr Milne said there was a clear danger of an overeagerness to deregulate, and to dismantle existing structures.

"All of us are in favour of more programme choice for the public," he said. "But if the reliable supply of good programmes is jeopardised, we all run the risk of being deprived as viewers and listeners of what we enjoy and appreciate — in effect having less real choice not more, and probably at higher cost."

Mr Young reaffirmed the BBC's belief that the licence fee system remains the best method of funding public broadcasting.

"As for the practical details we shall be talking to the Home Office about the Peacock suggestions on car radio licences, on a higher fee for black and white viewing, and on relief for the needy," he said.

Radical proposal on subscription television

Some of the most radical of the Peacock proposals involve subscription television, which would enable people ultimately to pay for what they want to see. Subscription television involves encoding and decoding signals, maintaining security and exacting payment.

The possibilities range from; encoding all over-the-air programming as a way of preventing licence fee evasion; encoding programmes on the two existing BBC channels and allowing viewers the option on whether to subscribe; and electronic publishing.

The latter, advocated by Mr Peter Jay, former US ambassador and economic journalist, is based on the assumption that channel capacity is almost unlimited and programmes are transmitted by a "common carrier" such as British Telecom or Mercury.

Before the end of the century, Mr Jay argued, it would be possible to create a grid connecting every household in the country, using fibre optic technology, which has enormous capacity to carry information.

The nation's viewers would be able to watch at any given time as many programmes as the nation's readers can read books or magazines.

In such a scenario the BBC and ITV would simply become large "publishers" of programmes and broadcasting would be liberated from Government interference.

Electronic publishing would allow differential pricing of individual programmes and the consumer at least could purchase precisely the television programmes he or she wanted.

The report warns, however, that such a version of consumer sovereignty could lead to duplication of the same sorts of programmes.

If the total cost to consumers of seeing everything they wanted to see in an ideal high technology world was considerably more than they were used to paying, they might actually prefer a licence fee and a regulated form of broadcasting with less choice.

In spite of the potential difficulties, the report regards subscription "as a way in which all broadcasting organisations, including the BBC, can sell their services directly to the public. We do not see it simply as an alternative way of collecting the licence fee."

The committee envisages that the BBC would look to subscription and ITV to advertising revenue for mainstream income. However the BBC could, if it wished, finance some operations by advertising and the ITV companies could sell some of their programmes by subscription.

"But there is no case for enforcing encryption (sophisticated encoding of the television signal) for ITV," the report says.

The timing of a switch to subscription would be a political decision taken when there were enough households with the specially adapted television sets necessary. The committee believes that about 75 to 80 per cent of households might pay for a BBC subscription service.

One opinion poll, however, suggested that only 50 per cent would be prepared to pay a subscription of £1.20 a week, slightly above the present BBC colour licence fee of £58 a year.

Judith Chalmers, the broadcaster, with Prof Alan Peacock, head of the committee.

'Comfortable duopoly' under fire but quality programmes praised

THE PEACOCK COMMITTEE praises the quality of many television programmes produced by the existing system. But it is equally scathing at what it regards as the inevitable inefficiencies in "the comfortable duopoly" of ITV and BBC.

The broadcasting authorities have provided packages of programmes to audiences at remarkably low cost, judging by other forms of leisure and entertainment and international standards. The intertwining of entertainment, education and information had produced programmes such as Yes Minister, Crimewatch, Mastermind and The World About Us.

It is important, the report emphasises, that in moving towards the changes of the mid-1990s, the packages of terrestrial broadcasting which offer good value today should not be prematurely dismantled or destroyed.

But there was an absence of consumer sovereignty and "no amount of scrutiny by accountants or consultants can be a substitute for the direct pressure of a competitive market."

Peacock believes that the inflation in broadcasting costs probably has its origins in ITV, as the profits of monopoly franchises shared out between contractors and unions, with the taxpayer coming a poor third.

"Thus tributes to the success of publicly regulated broadcasting cannot absolve policy-makers from permitting and encouraging technological developments which may eventually make a fully developed consumer market possible," the report says.

The process of budgeting for the BBC's "needs" and the monitoring of its use of funds "seem to be of the crudest kind."

The committee also comments with deadpan humour on how the BBC reacted to a £58 colour licence fee rather than the £65 it asked for.

"We note with interest the relative speed with which the BBC took the new licence fee award in March 1985 in its stride," the report says.

The true friends of "public service" programmes will realise that the present system is unlikely to support them far into the 1990s.

Central recommendations of the Peacock Report are therefore aimed at increasing competition and trying to hold down costs, particularly in ITV. The present combination of the levy on ITV profits (which many believe encourages spending) and the discretionary allocation of franchise by the IBA, offers too little incentive to economise.

As a result, four members of the committee recommend auctioning ITV franchises to the highest bidder, although three committee members fear the cure would be worse than the disease.

Recommendations for separate night-time franchises and requirements that BBC and ITV should take at least 40 per cent of their programmes from independent producers within 10 years, are also designed to increase competition and limit rising costs.

COMMITTEE MEMBERS

Professor Alan Peacock: research professor in public finance, the Esmee Fairbairn Research Centre, Heriot-Watt University.

Mr Samuel Brittan: principal economic commentator and assistant editor of the Financial Times.

Miss Judith Chalmers: Television and radio presenter and travel journalist.

Mr Jeremy Hardie: chairman of the National Provident Institution, a former deputy chairman of the Monopolies and Mergers Commission and an Arts Council member.

Professor Alastair Hetherington: research professor of media studies at the University of Stirling, a former editor of The Guardian and a former controller of BBC Scotland.

Lord Quinton: president of Trinity College, Oxford.

Sir Peter Reynolds CBE: chairman of Ranks Hovis McDougall.

Companies warn on standards

THE INDEPENDENT Television Companies Association warned that the Peacock Report's call for a tendering system would lead to a concentration on profit performance rather than programme performance.

The association, which represents the UK's independent television companies, said it was surprised and disappointed that the report showed "scant concern for programme standards by advancing the notion that ITV contracts should be put up for auction."

Mr David Plowright, chairman, said: "The result would be fewer programmes from all the regional centres in the UK, fewer information and education programmes and an excess of those entertainment programmes which are designed only to appeal to the highest possible audiences both at home and overseas.

"The suggestion that Channel 4 might sell its own advertising is presented without conviction. The Annan Committee rejected it and so do all who see the distinction of Channel 4 in its appeal to minority interests."

Mr Plowright said that in its submission to the committee, the association maintained that broadcasting, of all industries, was in no need of the artificial introduction of change. It said the public interest would not be well served by pulling up roots which were healthy and productive.

"At the heart of our evidence was the view that, if ITV competed with the BBC for advertising revenue, programme standards would inevitably decline and public service broadcasting would be at risk. We are particularly pleased and reassured, therefore, by the committee's rejection of advertising on BBC Television."

The association endorsed the committee's views on the value of independent production. In the last four years, it said, Channel 4 had carried more than 3,000 hours of independent production.

"However, a substantial increase in independent production on ITV would, in failing to take account of the complementary nature of ITV's two-channel system, distort the balance of our regional service."

Mr Plowright said the association approved of the prominence given to subscription television as an emerging, alternative source of funding.

Roy Garner on a Japanese breakthrough which is set to bring product testing in from the cold

Why snow is falling in a small room in Tokyo

FOR THE first time in history, Tokyo is experiencing a July snowfall—albeit confined to a single room at the Suga Test Instruments Co. in downtown Shinjuku. The startling spectacle of artificial snowfall, accumulating up to 30 cms in 24 hours, is a dream come true for company president Nagaichi Suga and his staff who have spent over five years on their snowfall simulation project. And it could also be good news for companies producing such goods as ski-wear, roofing materials, car bodies, adhesives and paints.

Companies from these fields have all shown interest in the equipment and believe they can achieve improvements in the quality of their products through research into the differing "slipperiness," or corrosive qualities, of snow—which in Japan can range from the heavy wet variety typical in Tokyo (good for snowballs) to the dry, light, flakes common in northern Sapporo (no good for snowballs).

Mr Suga points out that the "artificial snow" with which the public is familiar at ski resorts is not snow at all, but simple ice crystals. In contrast, the Suga simulator facilitates the creation of natural snowflakes, which are of a complex hexagonal structure. Although individual snowflake crystals can easily be produced under laboratory conditions, the simulation of falling snow requires a sophisticated computer-controlled apparatus.

Suga claims his company is the first to establish the necessary computer-controlled combinations of air temperature, humidity, wind-speed and cloud-seeding technologies and says that of the 480 recognised types of snow crystal, the new apparatus can already faithfully reproduce 27 variations under controlled conditions.

The company, which specialises in the study of climatic influences upon materials, saw the creation of artificial snowfall as the missing link required to supplement the combinations of sunshine, wind pressure and rainfall: which are already reproducible.

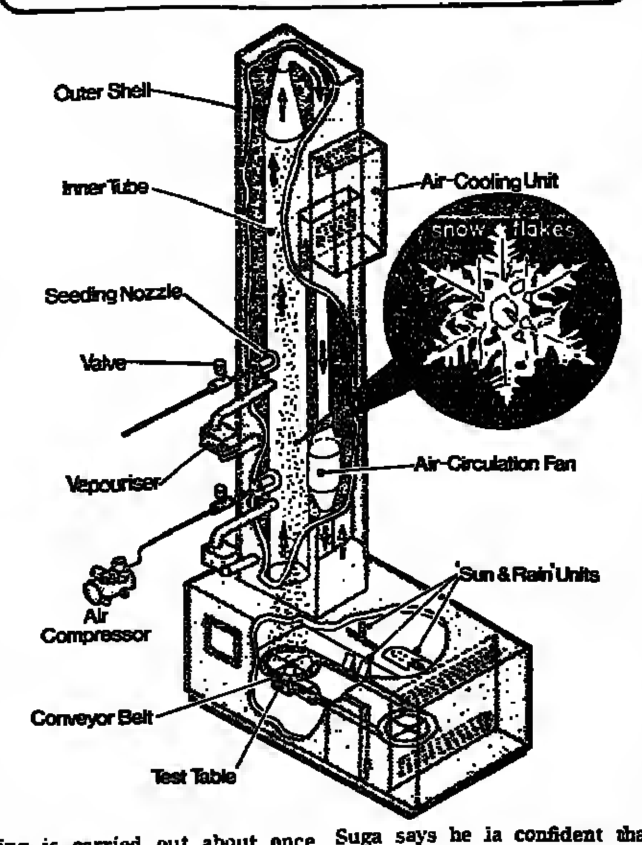
Another of the many promising applications for the equipment includes use in meteorological studies—here the simulator studies work "in reverse." Once a particular type of snow is seen to fall in a particular region, information can be accessed concerning the climatic conditions high overhead which must have been present to produce it; these having already been established and recorded in simulation programs.

The apparatus consists of a vertical 12-metre high, 50 cm wide, stainless steel tube, supplied by an air-cooling unit, into which are inserted water-vapour and ice-crystal seeding nozzles. Test pieces are arranged on a conveyor belt below the tube; which is also equipped with sun, rain and wind simulation devices. The cylinder is first dried and the air cooled over a period of one to two hours, and blowers produce the required circulation pattern. Vapourisers are then used to create "clouds," after which "seeding" begins. Snow starts to form, initially as micron-sized "diamond dust," after 12-16 minutes.

The combination of conditions is critical: it is difficult to make snow fall, for example, if anti-clockwise air currents are present. Water vapour must also be regulated at precisely 0.78 grams per 1 cubic metre. Seeding is carried out about once every ten minutes, and the biggest snowflake achievable in the present small-scale prototype is some 1 cm in diameter.

Improvements are still being sought for the seeding nozzles, which are prone to ice up, but Suga says he is confident that more efficient and larger-scale units can now be developed. Production costs per machine are currently around Y200m ($1.23m), but these are expected to drop considerably as sales get underway.

Snow Simulator of Suga Test Instruments



John Brown readies automation system for Soviet factory

BY GEOFFREY CHARLISH

THE BIGGEST automation system to be exported from the UK to the Soviet Union is nearing completion at the Coventry works of John Brown Automation, part of the Trafalgar House group.

The £4m system will make the big clutch assemblies used in a new range of combine harvesters in the USSR. Quality control is an important part of the design of the new line, which is to be installed in a plant at Taganrog, part of the River Don industrial zone development.

Able to produce a unit every 49 seconds, the new line, complete with adjacent sub-assembly and in-feed units, is in the form of a long "U" some 38 metres (97 ft) long. A total of 15 stations are fed by moving plates which carry the clutch assemblies from station to station on powered conveyors round the "U."

This "hard" automation system (it makes only the one product as opposed to "flexible" systems which allow several types within a family to be manufactured), is not entirely automatic and tasks like component loading and inspection are carried out manually on four of the 15 stations. For example, early in the assembly, 12 spacer pins have to be inserted quickly into peripheral holes, a task considered more suitable for a pair of hands than a machine.

After that, the process consists of assembling and riveting cover, diaphragm spring, crown and pressure plate (which is machined on-line to achieve the correct clutch forces).

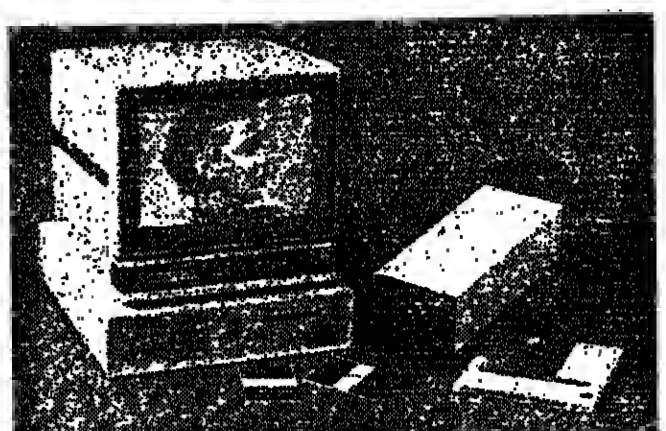
Part of the Soviet contract, but separate from the above clutch cover line, is an automated assembly and test line for the friction plate of the clutches, in which splined hub, centre plate, flexible blades and linings are "sandwiched" together.

The lines are not automatically controlled from end to end, but production engineers can see what is going on via John Brown's own design of computer-based management information system.

Touch-screen, menu-driven screen/keyboard units provide comprehensive information and allow maximum efficiency of operation. The engineer can start with a box diagram overview and can then progressively "home in" on areas of interest, selecting individual stations on the line at will. From the stations, he can select individual machines or heads and get information derived from diagnostic monitoring devices mounted on the machines.

The Taganrog project has taken about 20 months to bring to completion and the two lines will leave Coventry soon on a 20-strong fleet of 40 ft lorries. The lines are expected to be in action in the USSR by the end of the year.

John Brown Automation exports about 80 per cent of its output, something that managing director Mr Derek Harbour is "a little concerned about." He feels that, although the business is welcome, his company is clearly giving an advantage to Britain's manufacturing competitors overseas. Although important UK companies like Automotive Products (clutches), Black and Decker (drills, strimmers) and Rolls-Royce (compressor blades), are customers, Harbour believes the UK, in spite of all the exhortation, still needs a change of heart in adopting assembly automation.



Full memory card security equipment developed by Sirton Computer Systems of the UK.

Cards hold image for security screening

MEMORY CARDS, in which a picture of the owner is stored on an embedded semi-conductor "chip" memory are being used in a new security system from the London, UK company Sirton Computer Systems (01 640 0931).

In less than two seconds, the image can be read out into a TV monitor at, say, the entry point of a building, ensuring only authorised entry. The system is called Vidas (video image digitiser and storage system) and costs about £3,000 complete.

The holder's image is first recorded in digital form, from a small TV camera, into an intermediate electronic memory in the desk-top unit which "grabs" a TV frame at the press of a button and freezes it on the screen. The process can be repeated until the best facial expression is obtained.

The image is then transferred into the programmable read-only (PROM) memory in the card. This takes about 1.5 minutes. Then, whenever the card is inserted into the unit, the image appears on the monitor screen. If desired other data, such as an identification number, can be included during recording.

WORTH WATCHING

Edited by Geoff Charlish

FAST MICROPROCESSORS have reached the prototype stage in a joint project by Mitsubishi, Matsushita, Sanyo Electric and Sharp, of Japan.

Work on the single chip microprocessing unit (MPU) extending over three years has resulted in a speed "some 10 times greater than that of a conventional MPU." The technology used is low power Schottky transistor-transistor logic (TTL).

The four company's research teams developed the MPU under the guidance of Professor Hiroaki Terada of Osaka University and the joint project was supported by the Japanese Ministry of Trade and Industry. Professor Terada believes there are prospects for further VLSI (very large scale integration) to give another 10 times increase in speed.

The chip has been designed so that programs for it can be visualised and written very easily by a layman, with guaranteed program safety according to Professor Terada. Early applications are likely to be in home appliances and the MPU will probably go on sale about three years from now.

DIGITAL TRUNK communications systems for the military are available from Racal Tacticom of Reading, UK, in a new system called Tacnet (tactical area communications network.

Working at UHF (ultra-high frequencies), Tacnet will be used mainly at brigade and higher command levels but can be extended down to battalion level. The system provides effective command and control of land forces and gives a vital bridge between single channel combat radio networks and strategies communications systems.

Tacnet is a private venture by Racal and offers small size (installation in a Land Rover), a "building block" approach and cost-effectiveness. Its announcement follows Racal's entry last year into the tactical trunk communications market with the award of a contract for an earlier system, called Parakeet, by the Australian Army.

EXPERT SYSTEMS are under investigation by Logica, the London-based software systems house, in an Alvey demonstrator project in which Shell Research at Thornton, Cheshire, and FBC (previously known as Fisons-Boots Chemicals) of Cambridge are also participating. The idea is to see if current expert system techniques can be applied to industrial product formulation problems.

Two expert systems will be built, one for engine lubricating oils and another for agricultural chemicals. Expert systems allow the knowledge built up by experts in a specific area to be held on a computer and used to simplify or speed up similar work in the future.

While building the two systems, the teams will develop a re-usable set of software building blocks that could be used as a basis for other expert systems within the field of industrial product formulation.

RADIO PAGING system licensing in Britain will change after September 30 when the Department of Trade and Industry (DTI) will no longer license new systems at the 27 MHz frequencies, which now go to citizen's band. Existing systems can remain in service and can be extended for the operational life of the equipment, but no licences will be renewed after December 31 1996. In cases of interference, operation at 26 MHz will be allowed.

The longer term home for on-site paging will be at 49 MHz and the DTI has set aside bandwidth from the old TV band 1 for the purpose. Licensing should start later this year.

THE PROPERTY MARKET BY WILLIAM COCHRANE

CITY OF LONDON

Vintry House solution

WATES City of London Properties, the City's specialist developer, has joined with architect Jeremy Mackay-Lewis of the Whinney Mackay Lewis Partnership to put forward a redevelopment solution for Vintry House, the building which tops one of the City's "hit lists." A planning application is going to the City authorities this week.

Built by the Vintners' Company in 1928, Vintry House is built directly above the water on the north bank of the Thames, where the west side of Queen St meets Southwark Bridge. The building only just preceded the City of London's St Paul's Heights policy, devised in 1934 to protect views of the cathedral: it is specifically mentioned in subsequent documentation.

The existing building is 140 feet high, exceeds the Heights policy limits by 61 feet, and is now at the end of its useful life said the Master of the Vintners' Company, Mr Anthony Davies, this week.

The Company, he says, has been considering for several years the possibility of redeveloping the building, whose 73,500 sq ft of office space is leased to agents St Quintin and the Property Services Agency. It wanted to provide new office accommodation with large, relatively free column-free floor areas, to satisfy the requirements of today's tenants.

The height constraint, says Mr Davies, presented the Company with a "considerable dilemma." "To redevelop on the existing site, in accordance with the Hights policy, would result in nearly a 40 per cent loss of net office space," he says, "which is unacceptable in economic terms."

Refurbishment would have been one option, but it would continue the obstruction of St Paul's and the office space would not be ideal. So the Company brought Wates in, three months ago according to Wates's development director, Rodney Clutton.

Wates City and Mr Mackay Lewis propose a new building which effectively lops the top six floors off the existing Vintry height, is cantilevered to project 15 metres over the river and will be built partly on its existing site and partly over 7,500 sq ft of river bed.

The new building, says Mr Mackay-Lewis, will have floors of 16,000 sq ft net against 8,000 in the original, relatively free space compared with "forests of columns" and ceiling heights of 11, 10 and nine feet against eight to eight and a half. It will total 66,000 sq ft and incorporate an extension to the river walkway, and a landing stage for boats.

Supports for the cantilevered portion, he says, will be designed to fend off and withstand any impact from riverborne traffic. The development team thinks that the City's planners ought to like the scheme. The City's latest local plan, deposited last May 23, promotes riverside walkways in chapter 10.93, they note and "St Paul's Heights" limitations in 11.88.

As development partners, the Vintners' Company and Wates have agreed terms with the Port of London authority on the lease of riverbed land, and on the method of working it. They have talked too, they say, with pleasure craft and amenity users who are said to be pleased with the potential improvement in the riverscape.

The team has also been in consultation with the PLA harbourmaster in relation to the needs of commercial traffic on the river, and say that the building will not interfere with channels normally used by river traffic. Their landing stage, they say, will be used only for special occasions—and that when the tide is in.

Building costs will be over £100 a sq ft to cope with the riverside and cantilevered construction, and expensive fenestration and balustrading which should be as ornamental, they say, as it is obtrusive.

The existing lease expires in 1988. The team would hope to begin riverwork before that, demolish when the existing tenants move out, and complete in 1990.

Wates will fund the cost of the building, and get a 150 year lease on the entire development site. That will give it the beginnings of a pay-off for its recent exercises in the capital markets.

Global approach by Japanese funds

JAPANESE investors are going into commercial property on a global basis, and companies particularly noted in this country—like construction group Kumagai Gumi—are also very active elsewhere, say agents *Knight Frank & Rutley* in the firm's latest International Review.

KFR highlight the expanding property interests of Japanese investors in reports from their 46 offices located in the world's major property markets. They conclude that there will be further growth of Japanese investment activity in the US and increasing interest in the UK as well as other parts of Europe, Australia and South East Asia.

"It takes the form of a progressive encircling of the globe heading, quite aptly, in the general direction of the rising sun," says Mr Paul Mitchell, partner in charge of KFR's Japanese department.

Last year Japanese interests invested $1.2bn in American property, roughly twice that of 1984. While earlier Japanese investors chose the West Coast, there has been increased investment activity in the north-eastern states, with particular interest in Washington DC, New York and Boston.

This investment trend is moving steadily eastwards towards Europe, he says, especially the UK. Although there has only been a handful of major Japanese commercial investments in London to date — KFR say that they have been involved in all but one of them —Mr Mitchell reckons that this belies the extent of potential interest among various life companies, property companies and construction companies undertaking their preliminary homework.

"We expect to see further growth in investment activity on both coasts of America, and increasing interest in the UK as well as in other parts of Europe, Australia and South East Asia," concludes Mr Mitchell. "It may be anticipated that Japanese property development activity aimed at Japanese occupational consumption may take place sooner or later."

KFR has recognised the increasing importance of Japanese investors within the London property market, and has expanded its Japanese department by appointing a director, Mr Shigeki Nakajima.

In Australia, the firm is heavily involved with leading Japanese developers like Kumagai Gumi. Through its local associate Baillieu Knight Frank, it is acting in seven major development projects where Kumagai Gumi is either lead developer or an active participant, including the 21,000 sq metres office tower which forms part of the Adelaide Station and Environs redevelopment scheme.

Further decline in investment

NET INVESTMENT in land and property in the UK by insurance companies and pension funds declined further in the first quarter of 1986 to a total of £229m compared with £318m in the fourth quarter of 1985.

For 1985 as a whole the figure had fallen to £1.3bn against £1.42bn in 1984.

Adrian White and Brian Waldy of Fletcher King say that the Department of Trade and Industry figures also show that the insurance companies' long term funds actually increased their investment for the second quarter running and put almost 12 per cent of their new money into property.

Investment by pension funds, in contrast, has dropped back sharply to £22m, or only 0.9 per cent of their total net investment.

Messrs White and Waldy believe that interest in property improved "significantly" during the second quarter of this year, especially in warehouse and industrial property.

In July/September, traditionally the quiet time for property, they expect to see a high level of activity as continuing improvements in performance became apparent.

Office investment has been out of favour, mainly due to concern about obsolescence. It is likely to remain overshadowed, they say, as the debate over depreciation is played out.

Billingsgate team looks for more

BARING Brothers director Patrick Heininger, speaking at the Profex conference on property investment, said that the Billingsgate securitisation team was very pleased with the demand it got for the deep discount bonds and preferred shares.

The preferred have been quoted at a 99 to 104, a wide spread for effective trading, but Mr Heininger reckons that a lot of trading will go on between the bid and offer prices.

Barings and Goldman Sachs believe that there are up to a dozen further prospects which could come to market in a similar way.

● King & Co sold 360 Boulevard du Souverain to Assurances Swiss Life for over £5m. The developer was Immobiliere Goldberg, a major Belgian developer.

● Lambert Smith & Partners say that office takeup in Glasgow of over 800,000 sq ft this year — around double the normal level — is a real possibility.

● The Hammerson group, it is understood, has paid over £30m to the Hertie Group for two retail properties in West Germany. The buildings are in Bremen and Essen, and both will be redeveloped to provide shops and offices.

Together with Hammerson's other properties in Frankfurt and Schildergasse, Cologne, the company's total investment in Germany will exceed DM 250m (£75m) on completion of the developments.

Discussions are already under way concerning further co-operation between Hertie and *Hammerson.*

● Strutt and Parker have bought a prime freehold at 24 Lincoln's Inn Fields in London for United Friendly Insurance. Richard Ellis acted for the vendors, the Tate and Lyle Group pension scheme, and the price agreed was close to £1½m to show a net equivalent yield of about 5½ per cent.

● Harrow, in north west London, has followed St Katharine's Dock, next to Tower Bridge, in publicising its bid for the Trade Marks Office of the European Economic Community. Harrow's line is that the government must decide which of several London sites will be the British candidate.

● Heron Hi-Tech and Beacontree Estates are paying £345,000 an acre for a 1.8 acre site at Boundary Road, High Wycombe, located immediately opposite Postel's Knaves Beech Centre Business adjacent to junction 3 of the M40. The developers are planning a two storey high technology scheme, with asking rentals in the area of £8.75 per sq ft.

Corporate revival

Triplex responds to treatment

Terry Garrett explains how the UK foundry company has been nursed back to health

WHEN Lewis Robertson was parachuted into Triplex three years ago by its bankers, the Midlands company, burdened by the immense weight of loss-making satanio foundries, was teetering on the brink. Indeed, it was worse than that, according to Robertson. "It was over the edge of the cliff and in free fall, waiting for someone to put out a hand and catch it." The debt level had soared to equal one and a half times shareholders' funds and the banks — as clearly illustrated by their appointment of Robertson as chairman — were getting restless.

Next week, Triplex will report full-year figures for the year to last March. Much reorganisation and clearing out has taken place in the intervening period and the success of this is likely to be reflected in pre-tax profits exceeding last December's forecast of not less than £1m by perhaps as much as £250,000. That would represent a doubling of the previous year's profit flugre.

That the banks gave Triplex a second chance owed much to Robertson—a Scot with a penchant for sorting out the ills of troubled companies—being willing to put his reputation on the line. He started his task by sorting out the group in "an ordinary sort of way," quickly employing the tactic of asset disposals to inject cash and buy time while he initiated a deeper study of the business and searched for the right chief executive. He found his man quicker than be anticipated.

He stumbled on Jim Doel almost by accident. "When I arrived there were numerous undealt with items including a letter from a small foundry company asking if we had a foundry to sell. The writer was Jim Doel," says Robertson. The two met for tea at the Institute of Directors in London; it was a meeting of minds and the turning point for Doel. "Within minutes I realised he wanted the only foundry that I didn't want to sell which meant we both knew what we were doing. A quarter of an bour later I was floating the idea of a change of career at him," recalls Robertson.

When Doel arrived he found a management which was swamped by the company's problems. "They weren't knaves and fools," he says, but he encountered the perennial problem of mature management who had grown up with an expanding business but lacked the ability and stamina to make the hard decisions when things went wrong.

He spent two months listening to the executives, the line managers, the salesmen, the workers and his customers. Some of the things he discovered were incredible. Triplex had five different foundry companies operating within a five mile radius but none of the general managers had been to each others' foundries. Customers, for example, were treated to different Triplex salesmen trooping in and out not realising that their opposite number had been there the day before.

And Triplex had ineptly managed to turn a golden opportunity into adversity. Whatever the shortcomings of earlier management they had recognised "tomorrow's" foundry technology and had invested several million pounds in a computer controlled Disamatic machine prodncing iron castings. In simple terms it compresses sand into giant cubea and automatically pours in the metal, shakes out the casting and sends the sand back on its way. The Disa can turn out 300 castings an hour against 180 castings a day for a skilled foundryma.

Yet when Doel arrived it was lying idle much of the time. The costing department had ignored the lower cost base and was still pricing its bids for jobs as if dependent upon skilled hands.

Having put the business under e microscope, Doel implemented his plan for survival. When Robertson had arrived there were over 23 active subsidiaries. These were brought down to nine operating units by closure and disposal of many of the smaller businesses that the previous management had picked up as they searched for expansion.

With obvious regret he recalls that many of the employees "had to swim for the shore," including most of the executive management. The average headcount fell from almost 2,700 in 1980-81 to 1,260 in the financial year to March 1985.

But at last Triplex had some luck. In November 1983 demand started to pick-up and black numbers reappeared on the pre-tax line in 1983-84. After attributable losses of £8.15m for the previous three years, following mammoth exceptional items.

Having survived, the next phase of the new management's strategy was "fixing and perfecting." This started in 1984 and it amounted to picking the winners among products and customers. "All standard business school stuff. Every business produced a plan and now we are in the position to refine them. We are saying some things aren't perfected and we ought to move on. The difficult question to answer now is 'Where do we go from here?'," says Doel.

There are no magic formulas or catchphrases — Doel is suspicious of them and be does not think he necessarily knows best. Key decisions are reached by a senior group which includea the finance director, Peter Chapman, and three divisional heads: John Sharp an ex-GKN man with a wealth of experience looking after the giant engineering group's foundries, Richard Phillips, previously with TI, the industrial group, who oversees the rapidly expanding building products activities and Ron Whilebouse who runs engineering. "I believe in organisational conflict, I manage people managing businesses. We argue and disagree."

Jim Doel: "managing people managing businesses"

The ambition is clear enough. Triplex wants to be market leader in terms of product quality and service to its customers and to meet its long term financial target of a 10 per cent return on sales; at present the profit margin is about a third of that.

Ambition is tempered with realism, however. Triplex still has its problems and a large part of the business remains committed to markets lacking growth. More than half the foundry businesa relies upon an automotive industry which itself is in a state of political and industrial flux. But it la a fair assumption that the car makers will demand elutch honsings and the like for some while to come.

Also, with the freedom granted by the £2.9m ralsed through a rights issue last December—money which sorted out a beavily geared balance sheet—Doel and his colleagues can entertain more ambitious thoughts than polishing the existing businesses, a task largely completed even though a question mark remains over though a question mark remalns over the future of one or two of them.

Since the beginning of December five small deals have been announced, one for the foundry business and the rest for building products. The steady expansion of building products counterbalances the less exciting foundry activities and Triplex has become a leading supplier of "curtain walling" for the outside of buildings. But there is another important theme; Doel is picking companies that can show a very quick payback on the money paid and that has impressed those in the City who are keeping an eye on the stock.

LEWIS Robertson is on his third company rescue since 1982. Prior to Triplex he was wooed by bankers to sort out the F. H. Lloyd Midlands engineering group and, most recently, has taken over the chairmanship of Thomas Borthwick, the international trading group.

His enormously extensive c.v.—starting with his family's textiles company and subsequently ranging across a variety of directorships and unpaid public appointments as well as being the first chief executive of the Scottish Development Agency—displays his credentials for the "company doctor" role. His home in Edinburgh, bursting with more electronic paraphernalia, including two microcomputers, than many small offices, epitomises his style; highly organised and ready to adopt any innovation that he feels might enable him to do his job more efficiently.

Robertson, 63, is a man who most of his associates agree has an enviable ability to assimilate details of any issue he is dealing with and — a trait some find unnerving — the ability to record detailed, almost verbatim, notes on meetings. "It teaches you not to be careless when you chat." recalls a former business colleague.

Robertson sums up the essential equipment for the company doctor under four broad catagories.

- Sufficient experience to recognise common features in troubled companies and the knowledge of how to tackle them. Though he admits even now he is still learning.
- A strong will to force through necessary changes.
- An unyielding belief in one's own ability.
- Good relationships with a small number of sympathetic advisers who he can wheel in quickly to his aid.

"The rescue specialist depends upon the fact that patterns repeat themselves. Errors repeat themselves and the same errors tend to lead to the same problems. That is the stock in trade of the rescuer," says Robertson.

A typical fault is inadequate information and accounting systems, although grossly over-detailed systems can be just as dangerous in that the management cannot see the wood for the trees.

Generally it is not bad decisions that bring a company down, in Robertson's view, but poor management shrinking away from making tough decisions

His initial approach is unerring hands-on but displays a genuine sensitivity for managers who are in a complete state of shock. "I don't kick open the door and fire into the smoke," he says. But he will undoubtedly let fly with a few well aimed bullets if necessary before he finds the chief executive who will take on the day to day gunslinging once the crisis is past.

There is obviously a host of detail that requires his attention when he first walks through the door, though high on the list of priorities is to encourage everybody around him that the long downward slide is at an end.

While motivating (with some extra salary as well as stole words) those in the organisation who are capable of bringing something to the party—and he insists that most people have some strengths, albeit that they might not be sulted for their existing roles—a financial plan has to be constructed and the major sources of profit and cash haemorrage scrutinised.

But in the final analysis it is creative restoration rather than destructive demolition which charges his undiluted enthusiasm. "I am not in the business of dismembering if I can help it, neither am I in the business of killing people off."

Keys to product competitiveness

By Feona McEwan

WHAT SETS today's world-beaters in product manufacture apart? What is the secret tonic that puts the long distance runner out in front and gives him his staying power? What does a Ford, a Sony, and a Philips know that others don't? Is there a common thrust among the leaders?

Nine months ago a high-powered bunch of designers, marketeers and other experts came together in a National Economic Development Office design working party to winkle out some answers. They trawled the world's top companies—in France, West Germany, the Netherlands, US, and UK too—observing best practices in their attitude to design in new product development, and then observing the UK experience in comparison (focusing primarily on small and medium sized companies).

The findings will make essential reading for company helmsmen when available shortly through the different Nedo councils. Now the working party is preparing individual Action Packs—highly readable with pithy quotes and plentiful examples—targeted at those industries most under siege from imports. To begin with clothing, furniture, domestic electrical appliances, electronic consumer goods and engineering components and power generation equipment will receive a series of recommendations suggesting better ways of using design as a strategic tool across the entire manufacturing process.

Three main points underpin the working party findings. In exemplary companies, design is but one part of producing new products, not treated in isolation as the sole saviour. It is part of a multidisciplined process, at the beart of the operation, not a second rate citizen. All this requires the cynical businessman to adjust his views of design as merely the process of making things look good.

In structure, winning companies are relatively unhierarchical. Instead of being organised in linear functions operating as isolated cells, they work in multi-disciplinary teams — engineer, markeleer, designer, financier, production specialist—so melting the barriers and communicating across the board rether than up and down.

In attitude exemplary companies care about their products and their customers with an obsessive love, constantly listening, asking, comparing, and learning from customers and competition. Yet British companies are pitifully lax on their use of market research; many use little or none at all. A survey in 1984 by the Institute of Marketing discovered that 60 per cent of small companies never used it

Time and time again, research indicated that the superiority of a product is given as the reason for success, rather than the price factor beloved of so many lesser companies. Product differentiation is almost always possible. Only one company can be cheapest, said James Fairhead, who organised NEDO's international study.

Best practice means keeping close to the design team. In Sony six top executives visit the new product department every month, in Canon and Honda the board reviews each product development every month. It means scrutinising the competition. Ford of Europe has a team evaluating every one of its products against those of its competitors. Yet when 40 industrial designers were asked by NEDO whether their clients did any competitive analysis, the reply was in the negative.

Best practice means the consumer is always right. Sounding out his or her needs takes different forms, Sony has consumer satisfaction groups with psychologists and sociologists, Burton has futures groups, others have lifestyle analysts. Complaints can be a positive force. IBM talks of the joy of complaints in learning what people want. For every customer who complains, 50 are happy.

Speed is emerging as a key factor in singling out the winners. The time it takes to create and market a new product is becoming increasingly important. Philips has reduced the development of hi-fi products from 28 months to 12 to 10 months. "My job is to make our products obsolete before our competitors do," says Akio Morita, chairman of Sony.

Summing up, the working party findings says that the true competitive edge of the successful companies is their attitudes, and especially the shift of concern from hard data and balance sheets to one for values, vision and integrity.

Arts Week

F	S	Su	M	Tu	W	Th
4	5	6	7	8	9	10

Theatre

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-mooth season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's *Liebelei* is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusioo of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

NETHERLANDS

Amsterdam, Stadsschouwburg: English Speaking Theatre of Amsterdam repeats its successful run on Ortoo's Entertaining Mr Sloane (24 23 11).

NEW YORK

Cats *(Winter Garden): Still a sellout.* Trevor Nunn's productioo of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the leel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Loot (Music Box): John Tillinger directs this high-spirited revival of Joe Orton's 1966 macabre farce featuring Zoe Wanamaker as the homicidal nurse who romances a widower while burying his wife and conniving with their thieving son to hide the body. (239 6200).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrectioo of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable *Chicago* hit. (935 6100).

TOKYO

Kabuki (Kabuki-za): a dance piece, Yakko Dojojo, based on story of a dancing girl performing a temple ceremony, with popular male comic actor Ennouske playing the girl. He also stars in Date no Ju Yaku with stylised fights, acrobatics and quick changes. Kabuki-za, Higashi Ginza (541 3131).

Fool for Love (in Japanese), the final of the Sam Shepard trilogy presented by Parco company, directed by a visitor, Paul Joyce. Parco Space Part 3, Shibuya (477 5860/5858).

Exhibitions

PARIS

French Masters of the 19th and 20th century: The catalogue of the yearly Robert Schmit exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's speciality. Caillebotte, Cézanne, Van Dongen, Fantin-Latour, Odilon Redon and even Soutine grace the walls with bouquets of flowers while Chagall has a flowering tree in his red-toned sunset. Degas has a study of two dancers and a fiery coloured oil of a nude combing her hair. There is a large compositioo by Derain from the late 1930s, the Painter And His Family grouping in a surprisingly realistic rendering – his wife with a book, his niece, his sister-in-law, family cat and himself in the centre before an easel with a brush in his hand.

The strong point of the exhibition is a Picasso painted in 1900, a scene of typical Spanish figures in expressive attitudes and striking colours in front of a wine shop. As a counterpoint there is a stylised Woman in a Rocking Chair dated 1956 with the same strong orange, black and blue summing up Picasso's artistic development. Galerie Schmit, 396 Rue Saint Honoré (4260 3636), closed Sun and lunchtime. Ends July 19.

Hispano-American Silversmith's work: The 150 exhibits on loan from the Buenos Aires municipal museum cover three centuries and are the result of the combination of the legendary riches of the Peruvian mines with the exuberance of colonial craftsmanship. Silver – beaten, chiselled, filigreed – accompanies everyday life. For the gaucho there are silver stirrups and cruel looking spurs. There are delightful perfume-burners in shapes of animals and *maté* cups for traditional herbal infusions decorated with endlessly inveotive flower motives. As for liturgical objects, religious fervour tends to make the ornate baroque style rather overpowering. Louvre des Antiquaires, 2 Place Palais-Royal (4297 2700). Ends Sept 6.

LONDON

The Tate Gallery: *Oskar Kokoschka* – a major exhibition to mark the centenary of the Austrian survivor of the great age of expressionism before World War I, who died only in 1980 at the age of 94. He continued to work long into old age, by which time the sometime radical, ex-cavalryman in the Austrian Emperor's army had been long confirmed in the Establishment, a Swiss resident for nearly 30 years and British citizen for nearer 40. This full retrospective confirms that the young painter, fresh from his studies in Vienna in the mid-1900s, was an artist of vision and true genius. Ends Aug 10.

ITALY

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

Florence: Palazzo Pitti (Sala Bianca): Mary Magdalene: Saint and Sinner: An inspired exhibition based on the contrasting aspects of the character of Mary (who symbolises both sin and redemption) as seen by artists as diverse as Titian (the glorious Mary Magdalene of Noli Mi Tangere) to Guttuso and de Chirico, via the gloomy and often despairing figure of many of the 19th century paintings. Ends Sept 7.

Rome, Palazzi dei Congressi: La Quadriennale: A four-yearly event returns after a 10-year absence. More than 400 contemporary Italian artists in seven sections. Entertaining, stimulating and immensely varied. Ends Aug 15.

Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

NETHERLANDS

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century 'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 10.

Amsterdam, Rijksmuseum: Impressionists and their contemporaries in an exhibition of 140 French prints spanning the period 1860–1900, including foreign artists who made Paris their spiritual home. Ends Sept 7.

SPAIN

Madrid, "Monsters, Dwarfs and Buffoons in the Court of the Austrias. Superb collection of painting by Ribera, Velazquez, Carreno, Verones, Mazo, Antonio Moro, Sanchez Coello, Sanchez Cotan. Grouped together to show the splendid donation by the Fundacion Bertran to the Fundacion Friends of the Prado Museum: Juan van der Hamen's "Portrait of a Dwarf", XVII century. Prado Museum, Edificio Villanueva, Paseo de Prado. Ends Aug 30.

NEW YORK

Japan House: Burghley House, with the earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1988 with 205 Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys productioo in 1954 starring Lotte Lenya. Ends Oct 15.

Picasso Sketchbooks (Pace Gallery): Opening a 14-city ioternational tour, the 200 drawings, water colours and notes from 45 of Picasso's 175 cahiers give insights into the artist's methods and preliminary work on such famous paintings as Les Demoiselles d'Avignon, Rape of the Sabines and Mother and Child. Ends Aug 1. 57th E of Madison.

WASHINGTON

National Museum of American Art: 68 Pueblo Indian water colours from betweeo the world wars recreate the ritual animal dances among other disappearing tribal customs. Ends August 17.

CHICAGO

Art Institute: Famous as a fashion photographer, Richard Avedon undertook a five-year project to capture the American West in the tradition of nineteenth-century photographers such as William Henry Jackson. The results are "a fictional West", Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends August 3.

Art Institute: Treasures of Japanese Buddhist Art, the only showing in the Western world of works from the great Todaiji Temple in Nara, Japan, includes 151 statues, hand-scrolls and intricately designed lacquered objects from the largest wooden temple in the world. Ends Sept 7.

TOKYO

Tang Three Colour Glazes: Ceramic vessels and figurines excavated from burial mounds of the Tumulus period in their characteristic brown, green and blue glazes: Idemitsu Art Gallery, 9th floor of the Kokusai Building, above Imperial Theatre. Ends July 6.

Baroque in Dresden

The 114-year-old Villa auf dem Hügel in Essen has been completely redecorated for this exhibition, the first show to be organised by the three-year-old Ruhr Cultural Institute, founded by the Krupp Foundation. The treasures from the period of the great Electors, Frederick the Strong and his son Frederick August III (1684-1733), are on loan from Dresden's state cultural collections. Eight royal collections are shown separately with characteristic master works and include a bronze collection of statutary including Laokoon by Frencesco di Giorgio, one of the oldest and most complete coin collections in the world, a huge collection of arms, and copper engravings by Boucher, Chardin, Piranesi and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. A tour of the exhibition would close with the porcelain collections. An exhibition of more than passing interest: the only presentation in West Germany of more than 600 masterpieces from Dresden's greatest age. Ends Nov 2.

Music

FRANCE

Aix-en-Provence (July 3-Aug 2): Opera Festival: Don Giovanni, Idomeneo, Tancrede, Ariadne auf Naxos, recitals by Margaret Price, and Jorge Bolet, de Vittoria, Palestrina, Strauss, Mozart, Mendelssohn, Beethoven, Bach, Vivaldi concerts (4223 3781).

ITALY

Spoleto (Two World's Festival): Teatro Caio Melisso: Midday chamber concerts every day. (4 02 65).; Il Duomo: the Westminster Choir, conducted by Joseph Flummerfelt.

BRUSSELS

Lithuanian Chamber Orchestra with above programme at St Michael's Cathedral (Mon).

NETHERLANDS

Amsterdam, *Nieuwe Kerk: organ recital* by Remy Syrier. D'Attaignant, Muffat, Bach (Thur). (268 168).

LONDON

The Fires of London, conductor Peter Maxwell Davies: Maxwell Davies, Piers Hellawell. Elizabeth Hall (Tue). (928 3191).

SPAIN

Granada's international festival concludes next week with an interesting programme: Monday, the Jonde (Joven Orquesta Nacional de España) conducted by Jesus Lopez Cobos will perform Mozart's Il Seraglio in a co-production with Berlin Opera. Tuesday, Berliner Streich Quintett, Mozart. Wednesday: cellist Carlos Prieto accompanied by pianist Angel Soler; Shostakovich, Beethoven, Ernesto Halffter and Kodaly. Thursday: Orquesta de la RTVE conducted by Granadino Miguel Angel Gomez Martinez: Beethoven's nine symphonies, today being no 1 and 3. All concerts in delightful setting. The Alhambra, Moorish palace in Patio de Los Arrayanes. (22 52 01).

VIENNA

Li Minqiang, piano: Beethoven, Händel, Chopin, Ding Sbande, Sang Tong. Bösendorfer Saal (65 66 51). (Fri).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Gerard Schwarz conducting, Erie Mills soprano, Carol Wincenc flute, Heidi Lehwalder harp. All-Mozart concert to kick off the 20th anniversary two-month season (Moo & Wed); Claudio Scimone conducting, Michala Petri recorder. All-Vivaldi concert (Thur). Lincoln Center (874 2424).

WASHINGTON

Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performances Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Ends Aug 27.

CHICAGO

Ravinia Festival: The 51st season, honouring Mozart and the 230th anniversary of his birth and Liszt on the 100th anniversary of his death, continues with a recital by Jan DeGaetani, mezzo-soprano and Gilbert Kalish, piano. Mahler, Crumb, Poulenc, Rachmaninov, Ives (Tue); Preservatioo Hall Jazz Band (Wed); Arlo Guthrie/Pete Seeger (Thur). Highland Park. (728 4642).

TOKYO

Eiko Yoneda, piano, Hiroshi Nishida, violin: J.S. Bach, Schumann, Brahms. Tokyo Vario Hall, near Tokyo University (Tue). (571 1689).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Die Fledermaus, an Otto Schenk production with Carol Malone, Barry McDaniel and Hans Beirer. The last opera performance this season is Rigoletto, with Barbara Hendricks and Ingvar Wixell.

BRUSSELS

Cirque Royale: final performance of Boris Goudonov

LONDON

Royal Opera, Covent Garden: the new production of Fidelio marks Colin Davis's final appearances as Royal Opera musical director. The producer is Andrei Serban, and the cast includes Elizabeth Connell, James King, Marie McLaughlin, Hartmut Welker and Gwynne Howell. Final performances of the new production of Britten's Dream – striking to look at, rather less good to listen to, and patchy as a performance of both play and opera.

PARIS

Die Zauberflöte in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (432 9606 11).

ITALY

Busseto (Parma). Teatro Giuseppe Verdi: Verdi'a Luisa Miller conducted by Angelo Campori, with Michele Pertusi, Carlo Bergonzi, and Cristina Rubin. Wed. (9 24 87).

Nervi (Genoa): Teatro Maria Taglioni: (International Ballet Festival). A Chorus Line – first performance in Italy: The Shubert Theatre of Broadway directed by Michael Bennet. Music by Marvin Hamlisch. Wed, Thur (589 329).

NETHERLANDS

Amsterdam, Stadsschouwburg: Ballet festival with the National Ballet (Mon). (24 23 11).

VIENNA

Staatsoper: Manon Lescaut conducted by Sinopoli with Zampieri, Hintermeier, Helm, Mauro, Rydl, Gahmlich; La Boheme conducted by Guadagno; Carmen conducted by Weikert with Baltsa, Borovska, Carreras, Gyldenfeldt. (53 24/26 55).

Volksoper: The Magic Flute; Der Vogelhändler; Der Opernball (53 24/26 57).

Die Fledermaus: Volksoper (Music Summer 42 800/2085 and /2095). (Fri, Mon).

Die Zauberflöte: Volksoper (Sun, Tue).

NEW YORK

New York City Opera (NY State Theatre): 20 weeks of summer opera including new productions of Werther, Don Quixote, the New Moon and the world premiere of Anthony Davis's X (*The Life and Times of Malcolm X*) continues with a week of Kismet. (870 5600).

TOKYO

Star Dancers' Ballet: Original ballets based on Japanese folk tales; Pheasant with Beautiful Tail Feathers, Heavenly Maiden in the Mountain, Tale of a Beautiful Maiden and a Fine House. Yubin Chokin Hall, near Shiba Park (Thur). (401 2252).

La Boheme: Puccini's opera in Italian by the Fujiwara Opera Company. Tokyo Bunka Kaikan (Tue, Thur). (271 5384; 380 7020).

To coincide with the 4th of July and Bastille Day, Lincoln Center in New York hosts a visit of French performers and reciprocates with French programmes at the Mostly Mozart Festival and the American Ballet Theatre. Starting on Monday, France Salutes New York will feature the Paris Opera Ballet with its artistic director Rudolf Nureyev performing with the American Ballet Theatre and its artistic director, Mikhail Baryshnikov, who is becoming an American citizen.

The Cinémathèque Française brings a restored Casanova, Alexander Volkoff's 1927 film, with an original score played by Georges Delerue. Throughout the 10-day event, the Lincoln Center plaza will feature popular artists such as Philippe Petit, an aerialist who will cross the plaza, and Urban Sax, a jazz group of 52 saxophonists and 12 dancers. Besides performing in Alice Tully Hall, the group splits into mobile units wandering through the expected enormous crowds.

Cinema/Nigel Andrews

Iconographies scrambled together

Fool for Love directed by Robert Altman

An Impudent Girl directed by Claude Miller

La Cage aux Folles 3 – The Wedding directed by Georges Lautner

Youngblood directed by Peter Markle

No End directed by Krzystof Kieslowski

Sam Shepard and Kim Basinger in "Fool for Love"

Robert Altman's *Fool For Love*, screenwritten from his own play by Sam Shepard who also stars, is a funny old movie. Altman directs it as if he had taken some mind drugs and had a film-buff's nightmare in which the iconographies of *Pyscho*, *Giant* and *Paris, Texas* were all scrambled together.

Here we are in a Mojave Desert motel ruled over by gorgeous blonde Kim Basinger. Enter from desert left Shepard, dusty and denimmed, towing a horse trailer. Who is he? An old lover? Seems so, since his first act on arrival is to crash bodily through the door of Miss B's chalet. He has come a long way to see her. "2,482 miles," he says. She says, "So what?" And soon they are brawling like cats all over the nouveau-Hispanic furniture; and also spawning spitting dialogue, emotional traumas and multiple flashbacks.

Those who have seen *Fool For Love* on stage will know it as a crazy-quilt fable about love, sewn together from Shepard's obsessions with American myths, the loneliness of the long-distance anti-hero, and the point where the new junk culture meets the Old West. Those who have seen Altman's movies, from *M.A.S.H.* to *Nashville* to *Come Back To The Five And Dime, Jimmy Dean, Jimmy Dean*, will know him as a film-maker whose subject is the riotous variety of human nature in a melting-pot nation. What writer and director could be better suited to each other?

And indeed for half its length *Fool For Love* is the most fearless of Altman's recent adaptations from the theatre. He accepts the play's symbolic largesse for what it is—"The Shepard is my lord. I shall not want"—and also the amplifications of the screenplay. We are visited by a gunslinging Countess; we *keep cutting* to an unidentified little girl playing amid the chalets (is she Miss Basinger in flashback?); we wonder at the old vulture-faced tramp (Harry Dean Stanton) who hovers ghost-like in the background; and we meet Miss B's current suitor, played by Randy Quaid with an orange shirt, distressed bow-tie and idiot smirk.

The rest of the time, the camera dwells on the increasingly weird mating dance between hero and heroine. He courts her with all the peacock tricks of the Old West given a modern twist (lassoing jukeboxes and bed-posts). She now nervously responds, now fiercely resists. Meanwhile Altman's camera keeps zooming in and out as if each character were at the end of an optical yo-yo.

Finally, though, the proliferating viewpoints, time-slips and character revelations start to exasperate rather than hypnotise. And when Kim and Sam are revealed to be half-brother and half-sister, and Stanton their Dad, a dénouement which on the claustrophobic stage carried a real éclat seems on the multi-angle movie screen like one more deranged confusion thrown in to addle the audience. *Fool For Love* proves to be one of those plays that need their tautness preserved rather than opened out on screen. When Shepard's eclecticism meets Altman's love of plural perspectives, it all becomes too much—far too much—of a good thing.

★

It is a week for eccentricity in the cinema. "Charlotte must stop behaving weirdly," says the school report of the 14-year-old heroine of Claude Miller's *An Impudent Girl*. But Charlotte, played with lashings of doleful charm by Charlotte Gainsbourg (daughter of ex-1960s beautiful people Serge Gainsbourg and Jane Birkin), goes on behaving weirdly in this French movie about a pretty working-class urchin who dreams of becoming a concert impresario.

Why such a nutty ambition? you ask. Because one day she strays into the manorial messuages of infant prodigy pianist Clara Baumann and falls in love with the good life at first sight. She hangs around the swimming pool, befriends Clara and believes the tiny pianist's promise to make her her new impresario. (But Charlotte has to go home first to look up the word in the dictionary).

The film behaves as if its makers have all been bitten by Carson McCullers's *Member Of The Wedding* or the 1953 film thereof. Here is the scrawny *gamine* trying to stretch her soul beyond the picket fence. Here is the tiresome playmate *in specs* (*Julie Glenn replacing* Brandon De Wilde). Here is the tough but warm-hearted housekeeper-nanny (translated into stepmother Bernadette *Lafont*). And here are the heroine's dreams of hitching a cloud to a higher, better life.

The film is best when most pungently parochial: when it stays in the tumbledown home where Dad hides from his daughter's fantasy life behind his morning *café au lait* ("I need three cups of coffee before I can talk to you") or when it limns the appealingly downbeat platonic romance, half-erotic, half-innocent, between the girl and a young van driver.

But when we enter the concert world, with its tinkling ivories and smash-tinkle of fragile illusions, we enter the outskirts of another and far more winsome movie: "Schmaltz Without End," or "Pollyanna Goes To The Paris Conservatoire."

★

At least Miller's film has fluctuations of quality and charisma. *La Cage Aux Folles 3* has all the charm of a stuck gramophone needle. Here once more are Ugo Tognazzi and Michel Serrault, mincing through misunderstandings and moth-eaten jokes as the St Tropez gay couple. And here are the tortured contrivances of a plot about a Scottish will which requires Serrault to marry and beget a child before he can inherit a fortune. (Serrault is the screaming limp-wristed one who makes Larry Grayson seem like Sylvester Stallone). I would gladly give the whole cast the money for a prolonged honeymoon in return for the promise not to beget another sequel.

★

Nought for your comfort in Youngblood either. Heart-throb Rob Lowe plays the raw recruit in a Junior League Canadian ice hockey team. Directed by Peter Markle for maximum wham-bang machismo, the film has all the appeal of a blow on the head with a lead-lined hockey stick.

★

See Krzyslof Kieslowski's *No End* instead. This superb fable of oppression from Poland—a dead lawyer who crusaded against martial law gazes from beyond the grave at the capitulations of his ex-colleagues and the touching fidelities and defiance of his widow—shows once only at the NFT on Sunday. Some distributor must surely buy it for a wider British release.

Fidelio/Covent Garden

Max Loppert

Elizabeth Connell as Leonora, with the Prisoners in chorus, in "Fidelin"

For his final appearances as Royal Opera musical director, Colin Davis closes the current season with a new *Fidelio*. The gesture is fitting, for the new production was badly needed, and it is a work Davis had conducted in the house, always with distinction, over a period of nearly two decades.

Fidelio is perhaps the supreme ensemble opera; its choice of performance to "mark occasions" always does so with special significance. Unfortunately the production by Andrei Serban proves so roundly unworthy of the piece that Wednesday's performance came as near to collapsing in ignominy as the sublime work ever could.

The thinking behind this sorry spectacle is almost the only aspect of the occasion worth guessing out. It may have run thus: Serban, Davis, and designer Sally Jacobs, having collaborated so successfully on a glitteringly theatrical Royal Opera *Turandot*, must have decided that it was time for a high-theatrical *Fidelio*—time to get away from both the naturalistic approach (of which Peter Hall's great Glyndebourne production is perhaps the choice recent example), and the politically "partial" one, shaped to a dominant Concept, that now holds sway across the operatic world (and which we know from productions in Cardiff and at the Coliseum).

As continuation of the same thought-process the production team probably lighted on the idea of choosing William Blake as chief source of visual images. On the surface this would seem to have much in its favour. Between the two artists there are links of minds, of time and place, of "artistic independence and universality . . . of a primal intelligence fighting the mind's limitations" (to quote a programme note on Beethoven and Blake), that open interesting avenues of pursuit. If all this represents group consideration, it was no bad beginning: to emphasise the drama of the spirit of which the work's events are the material manifestations is not a base aim.

But a chasm seems to have opened up between idea and execution, and much of what is most important and enduring about *Fidelio* tumbles into it. The set, a dour brick-lined box with apertures at side and back for lighting tricks (director: Robert Bryant and other dramatic irruptions, plays host to a collection of wired Blake objects—cages of prisoner-dolls, spirit figures—rising and falling according to the metaphysical insolrstion of the moment. (The opera opens, curtain up, with a dumbshow of Leonora's original departure, into which the overture eventually intrudes.)

The *mise-en-scène* is at best a distraction. More often it promotes insufferable infusions of flatulent artiness: after a while the desire to hoot with laughter grows strong, and by the finale the audience was surrendering to it. In the same vein are the huddled masses, bald and shiny-white, who strike their Blake pose during the Prisoners' Chorus.

But the triumph of artiness begins during the third Leonora overture (gross insertion!), for which Serban has invented Florestan's "vision of youth and idealism, his love for Leonore, the Revolution and their separation." This leads without break into a final tableau in Heaven, part-Blake and part-Renaissance, complete with grim *reapers on stilts* and *Don Fernando* as an angel of judgment: and here one finally saw—alas!—what the producer was on about.

This is a *Fidelio* unequalled for Bad Ideas, and there is no character - development to tether any of Serban's hot-air balloons to earth. For the genre scenes of domesticity or villainy we are shown animated-cartoon behaviour; Leonora herself is much enamoured of Statue of Liberty postures; Florestan, chief of the shiny-white men, has no material existence worth bothering about. Whatever may have been intended, the actuality of the performance is often like some ghastly Victorian school pageant — one-dimensional doings set amid morally uplifting tableaux.

Conservative opera critics are nowadays open to reproach for their readiness to cry "Unmusical!" at any producer who tries things out in unconventional ways. Taking a deep breath, therefore, I would say that the man who produced this *Fidelio* is deaf to the music, to its workings and meanings.

A correlative mystery is that a conductor whom we know with certainty to be not that should have conspired so wholeheartedly in its achievement. Davis first nights are seldom fully-flowing performances in any case, and on Wednesday, though chorus and orchestra were following him with unstinted devotion, the effect was continuously laboured, ponderous, interventionist. Possibly a single reason for a return to this charade might be to discover whether it later enables the conductor to recover his best Fidelio form.

One pities the singers. In the title role Elizabeth Connell was less than she ought to have been: the phrases are admirably long-breathed, but the tone doesn't always carry and glow as we know it can. James King, a veteran Royal Opera Florestan, still commands a strong sound; Marie McLaughlin's Marzelline started uncomfortably, struggling sharpwards with slow tempos, and never quite righted herself thereafter. The Rocco of Gwynne Howell, whose voice is in peak condition, survived through sheer experience. There is a new Pizarro, Harmut Welker (single native German speaker of the cast), a powerful but (on this unreliable evidence) not very interesting performer. The German dialogue has been carefully rehearsed, and in Act 1 Serban has re-ordered some of it to suit his show.

Neaptide/Cottesloe

Michael Coveney

When the sun and the moon work against each other, the tide is at its weakest: "neaptide." So it is, says Sarah Daniels, with men and women, although the clearest impression one takes from Miss Daniels's *work to date is* of the tide *rising* forcefully against men. Her partiality, though, is often exhilarating.

In *Neaptide*, which the National Theatre has admirably rescued from an unfulfilled Liverpool Playhouse commission, Miss Daniels has drawn on the Demeter myth to reinforce her view that a perfect world was destroyed with the advent of men. Her play thus oscillates between political feminism and Sapphic celebration in discussing teacher Claire's dual struggle. Claire is fighting for custody of her child Poppy and is caught in a staff room scandal over a girl's lesbian declaration. Will Claire risk her job by supporting the girls?

The Demeter myth is a bedtime story for Poppy, whose heroine is Persephone, or "Pepsi-phone." The abduction by Hades is what started the rot, therefore heterosexual marriage is shown unforgivingly as a destructive agency.

Thus Claire's husband is a loutish intruder demanding his rights (he is now risibly remarried to "Abigail") while Claire's sister Val, first seen in a catatonic trance in hospital, abrogates all responsibility in her marriage to a dull breadwinner and ignores her male offspring. Val (Catherine Neilson) finally smashes a cabinet glass pane and, on Wednesday, had the misfortune of seeing it topple over on top of her. (Well, old Hades was the god of death and destruction.)

Claire's flatmate is an educational psychologist (Sheila Kelly) who, quite unbelievably, tries to cut wriggling children's hair at the breakfast table and flicks milky cereal all over them. You do sympathise with Joyce, Claire's mother, when she scorns these modishly liberal households by suggesting that riots are the consequence of kids calling parents by their first names.

The play's resonance comes from the figure of Joyce, the play's Demeter, whom Mary Macleod plays with a blank suburban hostility worthy of Tony Hancock. She wanted her daughters to be Brontës but was landed instead with three subjects for a Channel Four documentary. The third daughter remains unseen in New York, a bohemian journalist. Demeter's fourth "daughter" is Poppy, expertly played by little Lucy Speed, the second outstanding child performer of the week.

The play neatly dodges sexist hysteria by showing Claire and Jean as ordinary people coming to terms with real domestic problems, and Jessica Turner, although lacking fire, does make us care about the character's dilemma. The rawness and passion in performance of the Theatre Upstairs productions of other Daniels plays is here missing, partly due to some awful stage Cockney from the lesbian schoolgirls and partly because director John Burgess has not really tamed the cinematic fluidity of the action. You end up thinking the piece would work better on television. Allison Chitty's awkward design involves a lot of speedily moving furniture between sitting rooms and school.

Jessica Turner

The headmistress herself is a lesbian and Janet Whiteside's emergence from the closet is as moving as it seems, at first, far-fetched. Needless to say there is yobbish English master (Rodney Smith) who offers to arrest Claire's heterosexuality in court if she will sleep with him.

Haydn's Seasons/Festival Hall

Dominic Gill

Haydn's *The Seasons* hasn't the dramatic force—or for that matter the dramatic continuity—of the other great oratorio of his last years, *The Creation*. *The Seasons* is a sequence of 44 set-pieces, rather, often of great individual cunning and original colour, linked by accompanied recitatives: a chain of brilliant but largely unrelated tours de force, which relies for its best effect on instrumental and vocal performances of uncommon intensity and subtlety.

For this reason, perhaps, it's much less frequently done than *The Creation*: Wednesday's performance by the London Mozart Players and London Choral Society under the baton of Jane Glover was the first on the South Bank for several years. Sad to say, Miss Glover is not really the conductor to draw the kind of intensity from her players and singers that makes *The Seasons* airborne. Her direction was well and scrupulously prepared. There was nothing slack about the performance, nothing especially low-key—but nor was there anything notably buoyant: a generally middling performance that lacked any sort of vital electric charge.

Miss Glover seemed to claim the role of trusty repetiteur more readily than that of inspired (and inspiring) conductor. The three soloists were good: Maldwyn Davies the tenor, smooth and cleanly enunciated; Stephen Roberts an easy, well-rounded bass; Elizabeth Gale the soprano. The chorus were by and large the evening's most lively aspect: a splendidly swelling springtime "Sei nun gnädig," and a summer storm delivered with distinctly more gripping intimations of thunder than the instruments—as well as a closing summer valediction of unusual delicacy and feeling.

Loughran joins BBC Welsh Symphony

James Loughran has been appointed a chief guest conductor of the *BBC* Welsh Symphony Orchestra.

Teseo/Sadler's Wells

David Murray

This is a most welcome revival by the English Bach Festival of their contribution to the Handel tercentenary last year at Covent Garden, his third London opera. *Teseo* ("Theseus," though Haym's libretto *is* less mythology than arbitrary fiction) has no dramatic momentum, but a great wealth of *da capo* arias: these facts are connected. With many of Handel's later operas, one can peer through the period conventions and detect a drama; here, the successive arias—and unusually many duets—are apt enough, but one appreciates them mostly just as lovely pieces.

Winton Dean's reconstruction of the score is richly convincing with Nicholas Cleobury and the EBF Baroque Orchestra, though it makes a long concert—more than three hours with a single interval (shorter than promised). Sadler's Wells somehow house-managed a steady breeze, for which much thanks. There is the usual problem about reconstructing Handel's Haymarket audience, who wouldn't have sat respectfully still and silent for five acts. I take it that the recitatives are sensibly trimmed, and the *da capo* repetitions are properly ornamented.

Terence Emery's baroque sets and costumes are a consistent pleasure, scrupulously handsome rather than quaint. The production by Tom Hawkes is dignified and plain, and what animates the principals—Handel's statutory half-dozen—who inhabit the costumes is chiefly their stylised bearing and gestures ("advisor on baroque gesture:" Ian Caddy). In the breeches-role of Arcane, Penelope Walker does all that with charming flair, and her warm, cultivated mezzo gives full value to the only low-voice role among the leading singers.

Teseo himself is a castrato role, here rightly assigned to a strong soprano, Helen Walker, who has a useful touch of vocal steel to contrast with Teseo's beloved Agilea — Marilyn Hill Smith, never so happy, I think, as when she can be sweetly passive and concentrate on her singing. She is very appealing, and even (within the modest limits of the fiction) moving. Her confidante Clizia is Sandra Dugdale, who has ornamented many a Handel opera, and is fresh and pretty as ever. Michael Chance, a musical counter-tenor who does not bleat, makes old King Egeo an eccentrically striking figure; and Claire Primrose reveals in the widest dramatic range as Medea to excellent effect—her "Morirò," a remarkable crisis-aria of violent contrasts, makes the opera momentarily half-real.

Saleroom/Antony Thorncroft

Links made by conjecture

Just to show how international the art market is, fine French furniture sold at Christie's in London yesterday for £1,769,202, with only 3 per cent unsold. Top price was the £151,200 paid by Partridge, the London dealer, for a Louis XVI ormolu mounted breakfront commode by Guillaume Beneman. It is probably the twin to an identical piece in the Louvre.

An early Louis XV kingwood commode in the style of Charles Cressent went for £124,200. Once again the saleroom has to rely on conjecture, linking the commode to a similar piece in the Rijksmuseum in Amsterdam, and suggesting that it was acquired in the 1830s by the Walter who was both 5th Duke of Buccleuch and 7th Duke of Queensbury.

French furniture has been in the doldrums lately so the success of this sale was confirmation of how important London in the summer has become for buyers of antiques.

A Topino commode, a *maître* of 1773, trebled its forecast at £86,400 and an attractive Louis XVI tulipwood and parquetry porcelain mounted gueridon by Martin Carlin sold for £75,600. Obviously the heat went to everyone's head.

After its great success with the pottery and porcelain from Rous Lench, the Vale of Evesham home of the late Thomas Burn, Sotheby's moved on yesterday to the rather second rate furniture. R. A. Lee, the London dealer, bought a large English carved limewood coronation relief of Queen Anne, made about 1702 in the workshops of Grinling Gibbons, for £20,900. A South Netherlandish painted oak group of the Presentation in the Temple, dated 1490, doubled its estimate at £17,600.

A group of medals and decorations awarded to Lt General Sir John Maclean, of the Gordon Highlanders, in recognition of his bravery in the Penninsular War where he was much wounded, sold for £15,400 at Sotheby's. The group included an Order of the Bath and a Field Officer's Small Gold Medal.

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A bold step for Europe

TO THOSE who have argued that European efforts in high-technology industries are too fragmented, the deal announced this week by CGE of France and ITT of the US is a bold and ambitious response. The plan is to pool the two companies' telecommunications interests, including the manufacture of digital switches for telephone exchanges, into a joint company in which CGE will hold majority control. It will be by far the largest European company in the field, with strong positions in France, West Germany, Spain, Belgium and several other countries. To make a success of this huge enterprise will be a formidable management challenge, especially in the light of past experience with transnational mergers in Europe. But as an attempt to unblock the structural logjam in the industry it must be applauded. Governments and national telecommunications authorities must respond by breaking out of their national straitjackets and opening up their procurement to all comers.

The cost of developing modern digital switches has risen sharply and has to be spread over a large market. Such a market has not been available in Europe because the bigger countries confine their orders to domestic suppliers. The consequence is that too many rival systems have been developed.

Organic growth

Over the past three years there have been sporadic talks among the leading European companies about collaboration. It is significant that the logjam has been finally broken, not by two "national champions" getting together, but by the decision of a US company to withdraw from control of what has always been seen as its core business. In effect, the rationalisation of the European telecommunications industry is being initiated, at least in part, by the pressure from US investors for a better performance from ITT.

The ITT-CGE deal is a high-risk venture, especially in view of the difficulties which both companies have been having with their respective switches. Sceptics may point to the problems which another French company, Peugeot, created for itself when it bought the European operations of Chrysler. Certainly it is easier to build an internationally competitive European business by organic growth, as Daimler-Benz has done in commercial vehicles. Those companies which have tried to do it by acquisition have often come unstuck. But mergers and acquisitions are unavoidable if the European telecommunications industry is to be strengthened; it is not a business in which a newcomer can start from scratch.

Liberalised market

Whether CGE succeeds or not, this week's announcement is likely to encourage other European companies to seek alliances of their own. In the UK part of the rationale for the GEC bid for Plessey, on which the Monopolies and Mergers Commission is due to report later this month, was the need to rationalise the two companies' telecommunications interests. But it is doubtful whether a UK merger in itself provides a strong enough base for an effective attack on world markets; further alliances, whether on the Continent or in North America, might serve both to spread development costs and to open new market opportunities.

The object of all this restructuring is not to create a cartel in which two or three large groups share the business between them. But if fewer, stronger manufacturers of telephone exchanges emerge they should be better able to hold their own in a liberalised European market in which all sorts of company — European and non-European, large and small —will be competing to supply equipment and services. The more the competition can be extended to the network itself, as the UK has done with the licensing of Mercury as a rival to British Telecom, the more likely it is that Europe will make the most of its talents and resources in telecommunications.

The future of broadcasting

FROM THE outset, the Peacock Committee on financing the BBC has faced a challenge which confronted none of the six previous public inquiries into UK broadcasting. Its report has had to be drafted just as the traditional structure of public service broadcasting is being shaken by technological change.

The committee could, conceivably, have ducked these issues by focusing strictly on alternatives to the present BBC licence fee. Instead, it has chosen to widen its remit to embrace future broadcasting policy, on the grounds that new technologies for delivering programmes were both making the BBC/ITV duopoly untenable and opening up huge potential opportunities for wider consumer choice.

The result is a report which contains a remarkable mix of traditionalism and radicalism. It accepts many of the Reithian precepts on the maintenance of quality and range of programming while advocating a greater role for free market forces. To a surprising extent, it manages to marry these two strands.

Main criticism

Much of the report consists of a closely argued analysis which brings refreshing clarification to the often confused debate over deregulation of broadcasting. In particular, it rebuts the contention that more competition must lead to lower programme standards by forcing broadcasters to chase after mass audiences.

It argues convincingly that this is likely to happen only when broadcasters are forced to rely on advertising as their principal form of financing. The result is not to bring a wider range of choice for viewers, but to deliver big audiences to advertisers.

Peacock's answer is that broadcasting policy should evolve towards enabling viewers to register their choice by paying for the BBC programmes they watch, initially on a subscription basis and ultimately by being charged for individual programmes.

This, in theory, is an admirable goal. However, a number of questions arise both about the steps along the way recommended by the Peacock Committee and about the conditions in which its vision of a free and universal market in "electronic publishing" are likely to be achieved.

Given the committee's conclusions about alternative sources of finance, its proposal to index the BBC licence fee and charge a flat fee for car radios appears reasonable in the medium term. It has also made some sensible proposals for reducing the BBC's and ITV's high costs—its main criticism of the current duopoly—by increasing their reliance on outside producers.

But some other suggestions are more questionable. While there is a strong case for reforming the IBA's cabalistic system of awarding ITV franchises, putting them up to auction could encourage holders to maximise profits at the expense of programme quality.

Cabling programme

It also seems inherently unreasonable to insist that the BBC be required to offer all its programmes on a subscription basis while allowing the ITV companies to continue conventional off-air broadcasting. The need to buy special decoders to unscramble BBC signals must constitute a handicap which risks reducing its appeal to viewers.

This problem highlights a much larger uncertainty underlying the committee's approach to longer term policy. It assumes, probably rightly, that alternative programme delivery technologies such as cable television and satellite broadcasting, will gradually gnaw away at the broadcasting duopoly.

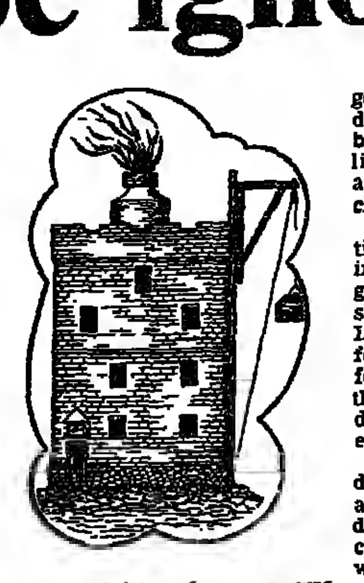
It is by no means a foregone conclusion, however, that the new technologies will develop rapidly on their own into satisfactory replacements for off-air broadcasting.

The committee holds out some hope that British Telecom might undertake a nationwide cabling programme if current regulatory curbs were relaxed. However, it is not certain that BT would find it easier than any other private company operating in a competitive environment to justify such an investment. In such circumstances, the only alternative might be some form of publicly subsidised programme—an option which Peacock suggests may anyway have to be applied to decoders.

Such an outcome hardly seems consistent with the Committee's vision of a market-led entertainment and information industry. While Peacock offers cogent analysis and some useful practical suggestions, the likely trend of technological developments needs to become much clearer before any firm judgment can be made on its prescriptions for the longer term.

A light which may be ignored

Raymond Snoddy assesses the Peacock report on broadcasting



ON A STORMY winter's day in Edinburgh, Professor Alan Peacock turned in his chair, pointed in the direction of the Isle of May in the Firth of Forth and told the parable of the lighthouse. The story sheds a beam of light on the thinking behind yesterday's Peacock Report into the future of British broadcasting.

The story tells how the lighthouse built on that island in the 17th century inspired Prof Peacock in 1979 to write an economic paper challenging the assumption that the lighthouse is a pure public, or social good; the ideal subject, therefore, for public sector funding and Government control.

The theory states two points of importance: that it is impossible to prevent anyone within a given distance from enjoying the lighthouse's illumination and that it costs the lighthouse authority no more to serve a market of one million ships than it does to serve a market of one. In the language of the economist, the marginal cost of reaching additional consumers is zero.

It has not taken Prof Peacock long to realise the similarities between the beams of light and signals from the transmitters of public service broadcasters or to wonder whether the technological changes which revolutionised lighthouse keeping were not about to wash over broadcasting.

"The general point is clear.

Peacock is only the latest in a long series of inquiries into broadcasting

There may be goods which are pure or almost pure social goods, but they may be subject to technological and economic obsolescence so that the service they provide need no longer be subject to market failure," Prof Peacock argued in his paper.

In the case of lighthouses, the relevant technological changes have involved radar, satellite navigation and other sophisticated devices. For broadcasters, the terms of the economic equation have been redrawn by the arrival of cable and satellite television. The limitations of the electromagnetic spectrum used by terrestrial broadcasting are no more, which means broadcasters can respond in an increasingly exact way to consumer tastes. Better to identify these tastes and change for them, Prof Peacock implied, than to charge nothing and have an entrance fee in the form of a TV licence.

There are strong echoes of Prof Peacock's belief in the transitory nature of "publicness" at the heart of the heavy and substantial report produced yesterday.

It envisages a three-stage transition from the present television system, which, for the foreseeable future would be backed by a BBC licence fee indexed to retail prices. Eventually, multiplicity of choice would permit the creation of a full broadcasting market, funded by pay-per-programme or pay-per-channel.

If Prof Peacock's long-held reservations about the permanence of public goods provided a fuse for this radical vision, Mr Peter Jay, the former British ambassador to the US and economic journalist, may have provided the match.

In hitherto unpublished evidence to the Peacock Committee, Mr Jay, now chief of staff in the executive office of publisher Mr Robert Maxwell, argued that the Peacock Committee should open the way for a truly free electronic publishing market in broadcasting.

The aim was to be able to charge different prices for different programmes and make broadcasting subject both to market forces and the general law—rather than being regulated (critics say censored) under specific Acts of Parliament. In the process, Mr Jay argued, broadcasting would free itself from the shackles of government as books and newspapers did in the 17th century.

Mr Jay's idea was first floated in an article in The Times in 1970, expounded in evidence to the Annan Committee in 1977 and from various platforms, such as the Edinburgh Television Festival. Many broadcasters are deeply sceptical of the usefulness of the analogy between the production and selling of books and magazines and television programmes.

Broadcasters argue that their products are not only physically different from books and magazines but have a different emotional and political impact, not to mention involving a different order of costs.

BBC executives point out that the £2bn British book publishing industry produces more than 50,000 new books a year. It costs a similar figure to run just four channels of television. "Where would the money come from to run 30 or more channels?" they ask.

The Peacock Committee appears to have been impressed, although not entirely uncritical of the Jay theory of electronic publishing.

Mr Jay said yesterday: "Thank God that for once a Royal Commission Official Inquiry has had the courage to examine the fundamentals of a problem and to make radical proposals which address those fundamentals directly."

It is probable that the Government was neither seeking nor expecting proposals of such a radical nature. After all the Committee was set up mainly to look at alternatives to the licence fee for funding the BBC and was a response to growing feeling on the Conservative backbenches that "something" should be done about the BBC and its claim for a £65 licence fee. Additional momentum came from a clever campaign by the advertising industry, which argued that the market was big enough for another commercial channel.

Peacock, who plays the cello and was half way through composing a string quartet when he had to set it aside to chair the committee, interpreted his terms of reference in a broad fashion.

"Do you know the musical term 'rubato,'" he asked at an impromptu lunch in his office in a former laboratory, where he is a part-time research professor at Edinburgh's Heriot Watt University.

It means turning a blind eye to strict time—at least temporarily. The musical dictionary does however warn that when it is done with genius it can give an admirable sense of freedom and spontaneity. Done badly it is merely mechanical.

Whatever the merits of the Peacock score, it seems unlikely to find much of a place in the Government's repertoire. Mr Douglas Hurd, the Home Secretary and a former career diplomat, made his thoughts on the subject crystal clear earlier this week at the annual congress of the Association of Independent Radio Contractors. The Government would have to give careful thought to the Committee's analysis.

"The Government will not wish to enter into any commitments in regard to these matters without providing a proper opportunity for public debate," Mr Hurd said, and added: "Final decisions will be taken after that debate."

One Minister, however, was less diplomatic this week. "We're going to kick it into the long grass," he said privately.

Whatever happens now, Peacock is only the latest in a long series of major inquiries into British broadcasting which bubble to the surface about every 10 years, address remarkably similar questions and often have more influence than immediate effect.

The Peacock Committee was primarily formed to examine the funding of the BBC, which to most people meant scrutinising the case for advertising on BBC Television. This the committee rejected, on the grounds that it might lower standards by reducing range and choice. The Sykes report, the first inquiry into the financing of the BBC in 1923, also rejected advertising because "it would lower standards."

Other reports, such as the Beveridge inquiry, set up in 1949 produced change in unexpected ways. Within three years its majority report, that the BBC broadcasting monopoly should be preserved, had been overturned and the minority report of Selwyn Lloyd, that there should be both commercial radio and commercial television, prevailed.

Many of Lord Annan's recommendations were rejected but he said yesterday he thought that his Committee's ideas had been influential on the broadcasting structure. The idea for a fourth channel run by an Open Broadcasting Authority was rejected but helped to pave the way for the creation of Channel 4 in 1982.

Lord Annan has still not given up hope that his suggestion for a separate local broadcasting authority might one day be implemented.

On the more immediate front, Britain's broadcasters were yesterday picking their way through the 200 pages-plus of tightly argued analysis, pulling out the bits they liked and taking their first pot shots at the bits they want to see buried.

At the BBC, Stuart Young, the chairman, welcomed the conclusion that the BBC should still be funded by licence fee and not be obliged to take advertising but attacked the notion of indexation to the retail price index because this would not reflect the rise in costs; the BBC would push for indexation to wages.

Mr Alasdair Milne, the BBC director general, warned of the danger of an overeagerness to deregulate and disrupt the existing system.

"If the reliable supply of good programmes is jeopardised, we all run the risk of being deprived as viewers and listeners of what we enjoy and appreciate — in effect less choice not more."

The Independent Broadcasting Authority does not intend immediately to attack the suggestions that ITV franchises should be put up for auction. Instead it is likely to put forward its own alternative idea for rolling franchises to replace the present sudden death decisions on all 15 franchises every eight years.

Mr David Plowright, managing director of Granada Television and chairman of the Independent Television Companies Association, said the auction plan would lead inexorably towards concentration on profit performance rather than programme performance.

But as well as the barons of British broadcasting preparing to defend their patch, some serious questions were being asked yesterday about the premises on which the Peacock recommendations are based. Most important among them is the basic question: how far off is the committee's world of multiplicity of choice? Will it be like the path to true communism—a journey without any sight of a destination?

Has the committee overestimated the impact of the new media when it argues "the duopoly (ITV and BBC) is

'Issues that go far beyond the immediate interests of this Government'

seriously threatened by the development of alternative means of programme delivery, including DBS, cable and video recorders? If the public should prove reluctant to pay for a wide range of extra television services how much of the deregulation would be necessary or justified?

Serious questions are also being raised about another premise on which the superstructure of the report rests. This is the suggestion that the current status quo of British broadcasting is inherently unstable. Broadcasters argue that there seems to be very little evidence in the report to support this contention.

Prof Peacock has always taken the view that his aim should be to produce an authentic description of the present state of British broadcasting at what might prove to be a critical turning point.

Yesterday he was phlegmatic about the report's ultimate fate. "This report cannot be shelved because it raises issues that go far beyond the immediate interests of this Government," Prof Peacock said.

It may be at least a decade before it is known whether the Peacock report will become an historical curiosity—flawed by too much abstract thought undiluted by common sense — or whether it will be seen as a visionary document that pointed towards a new age of broadcasting choice, independent of Government interference.

PEACOCK — BEFORE AND AFTER

1951	The Beveridge Inquiry . . . . . . recommended that the BBC's monopoly continue. Dissenting view of Brig Selwyn Lloyd, argued for competition funded by advertising. This won the day four years later.
1962	The Pilkington Inquiry . . . . . . came out strongly against pay-as-you-view, and in support of the licence fee as the BBC's sole source of income.
1977	The Annan Inquiry . . . . . . called for a fourth channel to challenge the BBC-ITV duopoly in the interests of broadcasting diversity.

THE PEACOCK PLAN

1	Satellite and cable develop, but most viewers and listeners continue to rely on BBC, ITV and indpendent local radio.	Indexation of BBC licence fee
2	Proliferation of broadcasting systems, channels and payments methods	Subscription replaces main part of licence fee
3	Indefinite number of channels Pay-per-programme or pay-per-channel available. Technology reduces cost of multiplicity of outlets and of charging system.	Multiplicity of choice leading to full broadcasting market

* A public service provision will continue through all three stages

Men and Matters

Driving a bargain

Like Topsy, tales about cars, and the purported values of some of the most famous, have growed with the telling.

The prime purpose of a new publication which went on sale yesterday is to provide a realistic guide, accompanied by much intriguing background information, to what some of these motoring legends have fetched, and are likely to fetch — should you happen to find one under the dust of ages in your disused barn.

The book has been sponsored by Coys, the collectors car specialist which in one form or another has occupied its Kensington, London, site since 1919, and of which publisher, Chris Renwick, is a former director.

Among the gems: that BMW started life assembling Austin 7s with a BMW badge — one of which is now worth £3,000-£5,000; that 1969-73 Ferrari 365 GTB Spyders are worth £150,000-plus; that you need £20,000 to get a first-class early E-Type Jag. As for Rolls-Royces, Corniches are worth £15,000 and up as "cheap posing vehicles."

It must, nevertheless, have been galling for Renwick that in his foreword he talks in awed prose of the most valuable of all, the Bugatti Royale. The great Ettore Bugatti intended this behemoth as the car of kings. The crowned heads of the early 30s did not agree and only six were built. The Royales 12.7 litre engines continued to be made — but for French railway cars.

The Royale, observes Renwick, could now fetch "possibly as high as £3m."

Last week, Harrahs, the Nevada casino which has one of the world's most famous car collections, auctioned its own Royale. It fetched $6.5m.

"As manager of Dixons—I'll have to reconsider our merger plans Mavis."

Big John

Another attempt by a big man to penetrate the murky matters of traditional Japan may have bitten the dust. John Anthony Tenta, 24, a 440-pound Canadian sumo wrestler says he is giving up the sport. Japan is agog.

Kototenzan (his fighting name) has enjoyed instant success. He had racked up 21 wins against no defeats and rocketed from sumo's cellar to its third division. A former superheavyweight wrestling champion, he outmatched and outweighed his early teenage opponents.

But has he opted out voluntarily or has he been forced out by a feudal sporting hierarchy which makes Ian Botham's cricket selectors seem like cloth cap democrats? He says he wants a "free life" away from the confines of sumo. He mutters darkly about not getting proper treatment for a cut foot; the Japanese press, hot on the trail, suspects a woman's influence — his Japanese language teacher; his stablemaster said he could not go on giving special treatment to the foreigner as 10 of his other young wrestlers had quit in protest. Anyway, he said the Canadian in training was finding he couldn't beat the big men, his future opponents.

Meanwhile, our fan in Tokyo wants another question answered. Kototenzan is going bald. He had grown enough of his remaining hairs to form a half topknot. But it will never be known if he could have coaxed them into the full traditional sumo ginkgo leaf hairstyle. He would have been the first blond to do so. That would realy have upset the Japanese.

Next man in

IT looks as if England's cricketers will go to Australia this winter headed by a manager doing the kind of job Bobby Robson does for football. If he is successful in retaining the Ashes, and judging by recent Australian performances he can hardly fail, he should stay in office throughout next summer.

He can expect a salary of between £30,000 and £40,000 a year on a three-year contract. But what does the cricket establishment want him to do? Certainly, pressures on cricket captains in recent years have made the job the most exacting in any team game. A manager would be able to take some of this pressure off a captain's shoulders, organise the real discipline and — something Gower apparently couldn't do in the West Indies—fix up proper practising facilities. He can also handle relationships with the media, an area where many sporting tours go wrong.

So in cricket circles they are saying the job will be a bed of nails. Main contenders are said to be former England captain, Ray Illingworth, and Surrey's Mickey Stewart, who have both already managed counties, though without any great success.

Outsiders include Mike Brearley (well fancied but unlikely to abandon his professional career) and another former England captain, Brian Close, once one of the game's bad boys but now an embraced member of the establishment.

Bogged down

Less than two weeks ago, I reported on the Swiss escapades of a young US artist, living and working in London, who found a novel way of getting greater value out of the Swiss currency than most bankers achieve.

During the Basle arts festival, J. S. G. Boggs managed to spend £678 on accommodation, meals, taxis and night clubs with his own coloured pencil drawings of Swiss banknotes. Now he has surfaced in Milan's art world and was last spotted offering suspicious restaurateurs his distinctly - coloured Italian lira drawings.

Boggs admits that he has a language problem in Italy. "The truth is that I'm pretty illiterate and bad with languages, but I'm highly numerate," he says as he offers the owner of a trattoria an aesthetically-drawn 50,000 lire note.

The Italians, alas, are less impressed than the Swiss, who must have felt a tingle of excitement at the sight of art that looks like money. "Try thinner paper with a government-approved thread running through it," the man in the trattoria advised.

Boggs's comment: "Well I guess you can't give art away." He is now returning to his base in London's Hampstead with his collection of "banknotes."

Footnote

A reader, tiring of the constant demands from her 16-year-old daughter for lifts in the family car, admonished her by asking: "What do you think God gave us two legs for?"

The daughter replied: "The brake and the accelerator."

Observer

POLITICS TODAY: SOUTH AFRICA

Mrs Thatcher listens to the West German President, Dr Richard von Weizsäcker, addressing Parliament this week.

A confident gamble

By Malcolm Rutherford

MRS THATCHER is in a remarkably relaxed and confident mood as she faces the most difficult international question her Government has ever had to deal with—what to do about South Africa?

The problem was bound to hit a British Government, of whatever political colour, at some stage. The unknown factor was *when* black opposition to white rule would become sufficiently serious to cause widespread unrest in South Africa itself and to compel the outside world to devote its best efforts to helping towards a solution.

That has been happening in the past year or two, as the number of deaths reported by day attests.

There was never a possibility that any British Government could opt out. This view is supported by all the British political parties, whether they want to impose further economic sanctions now or, like Mrs Thatcher, to have one more shot at negotiations.

It is not atavism, nor is it delusions of imperial grandeur. Britain is the outside country most capable of having some influence and, however much the South African crisis may distract attention from other matters, it is a responsibility that has to be faced.

British associations with South Africa are close: in history, in kinship and in trade. They are not confined to white South Africa. Black South Africans have long looked to Britain for education, for political refuge and for a lead in dismantling apartheid.

> "A truly self-confident white South Africa would simply tell the outside world to buzz off and stop trying to intervene in its internal affairs."

Britain has an extensive knowledge of much of the rest of Africa. It has experience of decolonisation and the transfer of power.

In the context of doing something about South Africa, Britain is also singularly placed in the world at large. It is the only country that is a *permanent* member of the United Nations Security Council, a focal point of the Commonwealth, a member of the European Community — of which it has the Presidency for the next six months — and a close ally of the US.

It is doubtful whether Britain could be in such a pivotal position in any other international crisis. And if anyone *disputes that it is an* international crisis, rather than local difficulties in South Africa, they should note the way that the South African Government received the Commonwealth Eminent Persons Group, wanted to go on talking as the Group decided to disband, and is now awaiting the mission of Sir Geoffrey Howe, the British Foreign Secretary, on behalf of the European Community.

A truly self-confident white South Africa would simply tell the outside world to buzz off and stop trying to intervene in its internal affairs. Yet the evidence is that it is extremely worried about domestic unrest and does not want to have further to retreat into the laager, though it could come to that.

It is, of course, entirely possible that the South African Government is simply playing for time, hoping to string out negotiations indefinitely in order to avert, or at least postpone, *new* economic *sanctions*. That has become Mrs Thatcher's problem.

The Prime Minister believes that general economic sanctions (note the stress on the word "general") do not work. She thinks that the threat of sanctions might work. At the meeting of the European Council in the Hague last week, she won three months' respite. Further *sanctions will be delayed until* the autumn at the earliest while South Africa is given another chance to begin to put its house in order.

It is a terrific gamble and could not possibly have been undertaken without the support of West Germany: otherwise Britain would have been virtually isolated in the European *Community*.

The thought behind it goes something like this. The Eminent Persons Group came much closer to a breakthrough than was generally realised. The fact that the South African Defence Force launched *punitive* raids on neighbouring territories on May 19, the day that the Group was holding talks with the South African Government, was a coincidence, not an attempt to sabotage the dialogue. The attacks had long been planned. It was just that the timing was unfortunate. Thus the Commonwealth mission came to its abortive—Mrs Thatcher *and the South African* Government would say "premature"—end, reporting that there was no respect of a negotiated settlement between blacks and whites *in South Africa*.

Sir Geoffrey's task is to pick up where the Eminent Persons Group left off. His terms of reference are no less onerous: to persuade the South African authorities unconditionally to *release Mr Nelson Mandela*, the imprisoned leader of the African National Congress, and other political prisoners, and to legalise the ANC and other banned political parties with the aim of opening negotiations between the South African Government and the black political leaders.

There appear to be three *reasons for Mrs Thatcher's* air of relaxed confidence.

● President Botha has hinted several times before at the release of Mr Mandela and negotiations with the black *majority*. The hitch has always come over the conditions. The threat of sanctions might bring him to make the release unconditional.

● Mrs Thatcher has been looking closely at the British past *in Africa. She thinks that* Mr Ian Smith, for example, would have been wiser to have offered major concessions to the blacks in Rhodesia much earlier rather than to be compelled to do so later by force. South Africa is not entirely *dissimilar: the* inevitable transfer of power ought to be accelerated rather than delayed, accomplished by negotiation, not civil war. *Political leaders*, she thinks, should take risks, which is what she hopes of President Botha.

● So far at least there has been no split in the Conservative Party. Tory divisions have always been a possibility, sometimes a *reality*, on *any policy* to do with *Africa*. That goes back to Kenya, when Prime Minister Harold Macmillan feared that the Party *might* be severed by Kenyan independence. *The Conservatives* were haunted by divisions on the break-up of the Central African Federation and subsequently on what to do about Rhodesia. On *South Africa Mrs Thatcher* has more or less held the Party together.

If Sir Geoffrey pulls it off, and there are unfettered negotiations between blacks and whites, it will be one of the *diplomatic triumphs* of all time.

However, it is worth pondering what happens if he does not. For there is a timetable, and Mrs Thatcher has set down *fairly* strict criteria for what has to be done in the next three months: *unconditional release* of the political prisoners, lifting of the ban on the parties and the start of talks.

There can be no point, having *come this far*, in Britain opting out if South Africa fails to deliver or continues to play for time. The British Government will have to go on leading.

Quite the best way of doing this would be to seek mandatory *sanctions against* South Africa through the UN. It is sometimes overlooked that mandatory sanctions are a matter for the Security Council, not the *General Assembly*. *Britain* is a permanent member, along with France, the US, China and the Soviet Union. France should be an ally, so should the US. China should be no problem and even the Soviet Union would probably do no more than try to make the Security Council resolution more severe than Britain would like.

The point about mandatory sanctions is that they would remove some of the legal obstacles that could arise if sanctions were purely voluntary. For example, a voluntary ban on direct air links with South Africa could lead to horrendous problems in the courts. A mandatory ban would make it easier.

The point about Britain taking the lead *is* that, if it does not, somebody else will. If Britain took the lead, the country could have very considerable influence on shaping the resolution. At least initially, it could be confined to the sort of limited economic measures that Mrs Thatcher could go along with. It might even contain provision for the sanctions to be lifted if the South African Government finally decided to go for reform head-on.

About sanctions themselves, in the South African context there are only two things to be said. The first is that they might just persuade the South African *Government to go for radical* reform sooner rather than later, though no-one can prove it either way.

The second is that if South Africa is determined to sink into its own internal quagmire, the rest of the world had better *adjust to it. It will be the South* African Government that has opted out. We cannot stop the world merely because South Africa wants to get off.

> "Tory divisions have always been a possibility on any policy to do with Africa... On South Africa Mrs Thatcher has more or less held the Party together."

For Britain the question will be how to maintain links with the rest of Africa, the Commonwealth and the European Community. There is no sign so far that Mrs Thatcher is ready to go *to* the Security Council. She awaits the results of Sir Geoffrey's mission and both she and President Reagan seem to dislike recourse to the UN, except as a last resort. But if *Sir Geoffrey fails to achieve the* desired results or, accurately, if the South African Government is not bold enough to move now, the Security Council could prove to be very useful.

Lombard

Why the rallies are too short

By Geoffrey Owen

OLD-TIMERS AT Wimbledon recall the match when Bill Tilden of the US complained that his opponent, Jean Borotra of France, was wasting too much time towelling down at the umpire's chair. Borotra's *response*, for the rest of the match, was to sprint ostentatiously from one side of the court to the other whenever the players changed ends, a piece of gamesmanship which greatly discomfited the American.

How different from today's Wimbledon, when time-wasting at *the umpire's chair is accepted* practice. After the first game in the first set, the players slump into their chairs and stay there for as long as the umpire will let them. This may be good for sales of strawberries and ice cream, but for people who have come to watch tennis the delays are extremely tiresome.

Supreme

It is a curious feature of modern tennis, at least on the fast grass courts of Wimbledon, that men's *singles* matches seem to have become longer, sometimes unendurably so, while the rallies are shorter. In the old days young players used to be taught to start the rally from the baseline, seeking to force the opponent into a position where it made sense to advance to the net for the volley. Long rallies of ten, fifteen strokes or more allowed scope for subtlety, changes of pace and tactical skill.

The crash-bang-wallop school has largely taken control of the modern men's game, and a rally lasting more than three or four shots has the crowd gasping with *amazement. Just occasionally* the sport produces someone whose ground strokes are so powerful and accurate that the incoming volleyer is obliged to stay at the back of the court. Borg was the supreme exponent of this skill, but it appears that the groundstrokes have to be so miraculously good, and the odds in favour of the volleyer so great, that few young players want to model themselves on Borg.

Matches between two evenly matched volleyers can still be exciting, even if over-long, but there is a missing dimension to the game which could be restored. Here is a *four-point* plan for reform.

1. The server should be restricted to one serve rather than two. This would reduce the excessive advantage enjoyed by the giant, powerful server whose *cannonballs*—when they hit the target—are simply unreturnable. Because he could not afford to serve a fault, he would be forced to play safe and ensure that the ball was put into play. The serve would *still be an important* part of the game, but the stream of unplayable aces would largely disappear.

2. The service line should be brought a foot or two closer to the net, thus reducing the area into which *the server* is trying to place the ball. Again, this would put a premium on accuracy and perhaps spin on the part of the server.

3. The *balls* should be made softer—a little less like bullets. There is a view that in the Tilden-Borotra era the texture of the balls was not so well suited to the powerful hitter (were they made to last for the whole match, instead of being changed every few games?) and this gave more scope for the thoughtful, tactical style associated with such players as Lacoste.

4. The players' chairs should be removed. A brief pause may be allowed for towelling down and a sip of water, but more than that seems unnecessary.

Amusing

If none of these suggestions finds favour, the authorities should consider reducing the length of men's matches from five sets to three, so that spectators have *more* chance to watch women's singles which, at their best, show the traditional skills of the sport to better advantage.

There was a famous occasion at Wimbledon when one of the players became so enraged by the course of the match that he seized his soda siphon, which he kept by the umpire's chair, and sprayed his opponent's rackets with it. No doubt such practices, like the soda siphon itself, *belong* to a bygone era, but perhaps it was more amusing to watch then the trance-like pose of two sedentary players, summoning up the strength for the next two-game session.

Letters to the Editor

UK oil and gas tax regime

From the Chairman, Trafalgar House

Sir,—I read (July 2) that Alick Buchanan-Smith said on Tuesday that "the crucial test for the Government would be whether any tax changes would be likely to increase activity." I take it that the Minister was referring to activity within the UK—onshore and offshore.

A reduction in petroleum revenue tax would not guarantee this result; redefinition of the ring fence would help; but a decisive result would occur if develop*ment expenditure* was allowed as a charge against PRT for a limited period.

This would bring forward the development of established prospects so that *we can enjoy* enhanced production when the price of oil and gas reverts to last year's levels. The lead-time for these expenditures is a year or two; and therefore the Exchequer's contribution would not arise until the time at which (otherwise) we shall face balance of payments pressures for the import of foreign oil.

(Sir) Nigel Broackes.
1 Berkeley Street, W1.

Building with rubbish

From Mr D. Gordon

Sir,—Although the technology exists for building on rubbish, Mr Kreamer (June 24) is correct in that developers would prefer not to bear the high costs of doing *so*. It should, however, be pointed out, in case the cartoon accompanying Mr Kreamer's letter were to mislead anyone, that the Stockley Park developer grasped *this* nettle and removed all the rubbish from beneath the buildings thus eliminating the possibility of high settlements.

In the UK we produce annually enough rubbish to fill the City of London up to two storey building level and the vast majority of this is dumped *causing* new dereliction. The problem is that nationally we are prepared to accept an increasing acreage of derelict land in the interests of short term economies, without weighing these against the very much higher costs of subsequent reclamation.

Mr Kreamer is right to point out that the cost of incineration can be *set* against the value of the energy generated, in the same way as the cost of tipping rubbish can, in certain cases, be offset against the value of the methane generated, although in neither case is the cost of disposal entirely met by the energy recovered.

Recently, *several reclamation* schemes, notably Stockley Park, have shown that we can build with rubbish dealing together with its disposal and the construction of much needed leisure facilities. Admittedly this requires a long term view to be taken, but surely it is time that nationally we started to think in terms of building with rubbish, rather than building on rubbish.

David Gordon,
Ove Arup & Partners.
13 Fitzroy Street W1.

To and fro and expensive

From Mr R. White

Sir,—If central government is determined to improve efficiency, might I suggest that it encourages "*grass roots*" feedback by publicising one address to which suggestions and comments can be directed. Thereby a valuable "suggestion box" system (as practised by many commercial organisations) would be created.

What prompts this proposal is a recent small, but nevertheless frustrating, experience when I urgently required a set of *free information leaflets on* a precisely specified subject. A request was made in writing, sent first class post, and even addressed to the particular room number of the correct section of a government department. The *response was* to return an ornate order form on expensive high quality notepaper for completion and return to the same room number.

This tiny example of bureaucratic inefficiency illustrates how by a simple process of energy duplication their expenses and mine, not to mention postage costs, are doubled.

Ironically this section of the *department is called the Energy* Efficiency Office!

R. G. L. White.
180 High Street North, Dunstable, Beds.

Passive funds

From the Chief Executive PosTel Investment Management

Sir,—In your article (July 2) on passive investment management and Wells Fargo, you say that Wells Fargo employs nine investment managers using complex formulae and computers to manage a £27bn passive fund and that *this* compares with PosTel, which employs *some 72 investment* managers to invest less than half that amount.

I don't know where you got your figures from, but the fact is that we have been managing a passive fund for years. It now represents about 1¼ per cent of the UK equity market and we employ on it three *investment* managers. We find we can get along without complex formulae and computers despite the fact that passive management *in* the UK is more difficult than in the US, because the US Govern*ment does not privatise parts of* companies, the whole value of which goes into the Index.

Your article goes on to say that in the UK, the passive man*agement field* has been dominated by Frank Russell and subsidiaries of Barclays, National Westminster and Lloyds Banks; but that together the total assets in their passively managed funds are *only* £2bn. *Our passively* managed funds have a value of £4.5bn.

Wells Fargo was a pioneer of passive management in the US, *as we have been in* the UK, and it deserves all the credit you give it. But there is no need to make unfavourable comparisons with UK institutions.

R. N. Quartano.
48 King William Street, EC4

European air fares

From Mr A. Lucking

Sir,—Perhaps the next question for Mr Marshall (June 30) is whether BA was making grossly excessive profits on the Atlantic, as opposed to merely large ones in Europe! Overall, the airline reported returns on net assets of *29.9 per cent* and 28.7 per cent in 1983-84 and 1984-85 respectively, with corresponding operating ratios of 114 and 113.

With regard to staff productivity, there must have been an *abrupt* change of plan to permit release of the £43.9m of severance provisions over the last two years. And perhaps it is significant that in the particular case of flight crew, the large profits were achieved before the key agreement in December 1985, which ultimately will raise annual *flying* hours per head to 480, from a 1982 figure of 340.

Hence, the airline accepts that there is still room for major improvement in air crew productivity, as well as a 10 per cent-15 per cent overall productivity shortfall compared with IATA's top ten. Is it unreasonable to believe that the current staff strength of 39,000 should be between 32,000 and 35,000? Nevertheless, I have the greatest admiration for a management that has achieved so much already.

A. J. Lucking.
17, Broad Court, Bow St, WC2.

Generating interest

From Mr J. McNulty

Sir,—Men and Matters (June 30) deserves a Nobel prize. Reporting on electrically stimulated shark attacks on AT & T's experimental fibre optic cable near the Canaries, "Observer" states that, compared to glass fibre "Copper wires do not generate so much magnetism."

Surely this earth-shattering discovery deserves front page treatment. Even as I write, whole industries are in turmoil. Men from the CEGB are tearing down pylons, the LME is in uproar—"Buy Glass" is the *common shout. Dynamos* and motors are being rewound with glass instead of copper. British Rail are scrapping their electric schemes and going for light power instead.

Come on, own up. Glass fibre does not generate magnetism at all. The magnetic field would have come from the electric current used to power the repeaters and would be carried by metallic conductors.

Or has "Observer" discovered an alternate electromagnetic effect? On closer examination I see he actually says "mEgnetism"—something to do with the megabits hurtling down the optic cable?

John McNulty,
Oxhey Hall,
Oxhey, Herts.

Unleaded petrol

From the Director, Society of Motor Manufacturers and Traders,

Sir,—We read with interest the letter (30 June) from the chairman of the Campaign for *Lead-Free Air*. We assure Dr Russell Jones that the British motor industry is as anxious as he is that vehicles should be able to run on unleaded petrol as soon as possible. Our main concern is that this should be achieved *in the most efficient* and cost-effective manner.

We do, however, believe that Dr Russell Jones' claim that 40 per cent of new cars can run on unleaded petrol is somewhat overstated.

We must also emphasise that even those cars which are designed to run on unleaded petrol may need adjustment before they can do so efficiently if they have been running on leaded fuel.

Our advice to motorists who wish to use this newly-available fuel is to make totally sure that their cars are suitable for *it*. Using *unleaded fuel in an* unsuitable car engine can cause serious damage.

Anthony Fraser.
Forbes House,
Halkin Street, SW1.

FINANCIAL TIMES

Friday July 4 1986

Oil prices down sharply in wake of Opec talks

By Lucy Kellaway in London

OIL prices fell sharply yesterday morning as the market continued to assess the consequences of last week's meeting of the Organisation of Petroleum Exporting Countries (Opec), which broke up without any agreement on individual members' production quotas.

Cargos of Brent crude reportedly changed hands for less than $10.20 a barrel, 45 cents down on the previous day's close and the lowest level since the beginning of April, when prices briefly dipped below $10. This is about one third of the price prevailing at the end of last year.

The current imbalance between supply and demand in the oil market was underlined in the International Energy Agency's monthly oil report published yesterday. It shows that during the second quarter total production outstripped consumption by 1.7m b/d, compared with a surplus of 300,000 b/d in the second quarter of last year.

The IEA also reports a large rise in Opec output during June, when production averaged 18m b/d, 1m more than the average for the first five months of the year, and well above the 17.4m target for the third quarter agreed by Opec ministers last weekend.

Analysts yesterday expressed concern about the extent of oil supplies and seemed doubtful about the ability of Opec to meet its targets.

"Opec production is still too high, and we have seen no sign that their 'gentleman's agreement' on production is being put to the test" said Mr Mehdi Varzi, oil analyst at London brokers Grieveson Grant.

The latest fall in crude prices has been exacerbated by a steep drop in oil product prices. Yesterday gas oil prices fell below $100 a tonne for the first time in 11 years. Naphtha traded at $95 a tonne, the lowest recorded price since October 1973 and $5 off the previous day's level.

Some traders yesterday noted strong resistance in the market for Brent at $10. After having got dangerously close to the $10 mark in the morning, prices recovered a little to close at $10.30.

The IEA figures show that oil consumption in countries making up the Organisation for Economic Cooperation and Development in the first quarter of this year was 35.4m b/d, ½ per cent higher than the first quarter of 1985. The agency forecasts that demand for the year should be 2.5 per cent higher than last year.

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US–Japan chip talks fail to settle dispute

BY LOUISE KEHOE IN SAN FRANCISCO AND CARLA RAPOPORT IN TOKYO

CRUCIAL semiconductor trade talks between the US and Japan broke up in Washington early yesterday without a definitive settlement of the bitter dispute. Although both sides indicated that negotiators had resolved some key issues, major stumbling blocks remain that could jeopardise the final outcome of the talks.

Negotiations are now tentatively set to resume in 10 days and the US Government has set a final deadline of July 26 for a comprehensive settlement. If the trade dispute is not resolved by then, the US is expected to impose significant trade sanctions on Japanese goods.

US trade negotiators are demanding greater access to the $9bn Japanese chips market for US manufacturers together with an enforceable system to prevent future Japanese "dumping" of chips "below fair value" not only in the US market but also in Europe and South Asia, both of which represent major markets for both the US and Japanese semiconductor industries.

Although the US is believed to have won important concessions from Japan on access to the Japanese market, key elements of the system to prevent dumping remain unresolved. Specifically, the US wants to set up a "global price and production cost monitoring system" to monitor Japanese chip prices all over the world. The Japanese object to such a system on the grounds that it would create a "cartel-like arrangement between the two countries."

In Tokyo, a senior Ministry of International Trade and Industry (Miti) official said that both sides had reached "relatively full agreement" on the major problem of market access for US chip makers in Japan and the pricing of Japanese chips in the US.

The US has tentatively suspended action on two pending dumping cases against Japanese memory chip makers, but has said that it will reinstate the dumping investigations if a comprehensive trade agreement is not signed by the end of this month.

The chances of a broad trade pact on semiconductors now appear to be diminishing US semiconductor industry officials fear. The failure of both sides to reach an agreement after almost a year of talks demonstrates the extremely difficult issues involved, they said.

The Semiconductor Industry Association, which represents US chip makers, said that the US negotiating team has "been extremely effective in resolving a large number of key issues. However, if the Japanese negotiators remain intransigent on unresolved issues, the conclusion of a final settlement will be jeopardised."

General strike unites Beirut

BY NORA BOUSTANY IN BEIRUT

THE LEBANESE people yesterday declared a new war – against unbearable economic conditions and a worsening quality of life imposed by 11 years of factional fighting, turmoil and political crises.

In the first movement of its kind, Christians and Moslems united in observing a nationwide general strike called by Lebanon's General Labour Federation. Shops, banks, leisure facilities, television stations, newspapers and even Beirut's international airport closed for 24 hours, paralysing the city.

A travel agent in Moslem-controlled West Beirut said: "I am very happy about this strike. It is the first positive thing that has happened to us since 1975. For once we are all together in this. We are equal in our misery and the damage done to Lebanon as a whole."

Six private radio stations run by a mosaic of militia and political groups, usually a cacophony of dissident voices, joined the state-run Beirut Radio yesterday in a 10-minute protest against civil war, violence and soaring prices.

"All of Lebanon has joined hands against the war of starvation and inflation," newspapers reflecting all shades of opinion along Lebanon's political spectrum said in banner headlines.

Mr Elias Habre, President of the National Federation of syndicates, said: "The situation has become untenable. We can no longer say famine is approaching, for it has already started."

In the first six months of this year prices for food and basic consumer goods have risen by an average of 68.5 per cent, according to an official of the Beirut Consumer Co-operative. Mr Habre said many families were without essential medications and medical care, and many were no longer able to afford to send their children to school next year.

The General Labour Federation, an umbrella Organisation for several trade unions, is headed by a Lebanese Christian, Mr Antoine Bechara. The federation succeeded in canvassing support across religious and political boundaries

CGE seeks more partners

Continued from Page 1

year on FFr 71.9bn turnover, plans to finance its stake in the ITT joint venture roughly 50:50 through increasing long-term borrowings and through capital resources.

Telefonica and Société Générale de Belgique have agreed to pay $300m each for their stakes in the deal, which will give each a 10 per cent share in the European holding company.

Along with an undisclosed West German company – not Siemens – with which CGE has been in contact, GEC of Britain is also believed to have been approached by GCE as a possible candidate to join the holding company.

The new joint venture, in which ITT will maintain a 30 per cent stake, will group together the US company's worldwide telecommunications activities, given a value of around $2.8bn, together with those of Alcatel, the CGE telecommunications subsidiary, worth about $1.4bn.

CGE manage the operation, which will be present in 75 countries. CGE, which controls a number of relatively autonomous operating companies in fields ranging from satellites to nuclear power reactors, stresses that it already has considerable experience of managing the kind of industrial assets which will be brought into the venture with ITT.

CGE, however, will face a considerable challenge in streamlining Alcatel and ITT's marketing and research efforts, which will involve co-ordinating policies over the two group's E.10 and System 12 digital exchanges and, eventually, cutting staff.

ITT under the deal stands to receive $1.8bn in cash, of which $350m will come from reimbursement by the new joint venture of advances previously granted by ITT to its telecommunications subsidiaries.

CGE has already negotiated a commercial accord with AT&T which has been held up by a year by failure of the French Government to give approval. This deal, under which AT&T would gain access to the French switching market in exchange for giving CGE marketing help in the US, may be reduced in scope in view of the French Government's suspicions about allowing the entry of the American giant.

CGE, however, yesterday suggested that a deal with AT&T – perhaps concentrating on a joint venture between the two companies in microwave transmissions systems – would be compatible with the ITT accord.

ITT TELECOMMUNICATIONS EQUIPMENT COMPANIES IN THE DEAL

Company	Country	ITT stake per cent	1984 sales $m	Staff
Standard Elektrik Lorenz	W. Germany	85.9	1,340	33,000
ITT Telecom Products	US	100.n	n.a.	n.a.
Bell Telephone Mnftg.	Belgium	100.0	370	10,000
Face Finanzira	Italy	100.0	429	14,000
Standard Electrica	Spain	71.0	295	16,177
ITT Austria	Austria	100.0	100	2,700
ITT Netherlands	Netherlands	100.0	57	1,000
Standard Electric Kirk	Denmark	100.0	50	1,300
Standard Telefon	Norway	60.0	250	3,300
Standard Radio and Telefon	Sweden	100.0	54	850
Standard Telephone and Radio	Switzerland	100.0	100	2,000
Standard Telephone and Cable	Austria	100.0	—	—
Standard Electrica	Portugal	100.0	44	2,500

Source: ITT

Paul Taylor and William Hall in New York write: Wall Street reacted enthusiastically yesterday to the planned ITT/CGE deal, bidding the US group's share price up $1.25 to $58 in heavy trading. ITT's share price has risen from under $45 a share since the first details of the negotiations between ITT and the French group emerged less than two weeks ago.

"It is an enormously positive move," said Mr Michael Metz, a stock market strategist at Oppenheimer and Co, the Wall Street securities firm.

Separately Standard and Poor's, the US credit rating agency, placed ITT's debt ratings on its "credit watch" list and hinted that ratings on ITT's about $4bn in outstanding debt could be raised if the deal is completed.

While some analysts cautioned that the agreement still had to be approved by the French Government, they said they were confident that the deal would be completed, quiet confidence that appears to be shared by ITT itself.

The $1.8bn proceeds together with $1bn in ITT debt which will be assumed by the new European joint venture group will transform ITT's balance sheet and should boost earnings dramatically next year.

Analysts noted that the substantial reduction in ITT's currently heavy debt burden will reduce interest charges and that the new slimmed-down ITT will have considerably more flexibility to manage its remaining $15bn a year businesses.

They also reacted favourably to the fact that ITT, which will retain a 30 per cent stake in the new telecommunications equipment company, will be considerably less exposed to the fiercely competitive and capital intensive world telecommunications industry and to sharp movements in the value of the dollar.

Paris moves to provide export stimulus

By David Housego in Paris

THE FRENCH Government yesterday announced a further modest easing of foreign exchange controls and fresh tax incentives in an effort to provide a stimulus to exports.

Companies will in future have complete freedom to make forward purchases of foreign exchange as compared with a present limit on forward purchases of six months. This was only recently extended from a three-month limit.

At the same time, the period in which exporters can hold on to receipts in foreign exchange is being increased from one month to three.

On the tax side, the Government announced fresh write-offs for companies setting up sales networks abroad – an incentive intended to encourage French companies to put more effort into marketing, which is considered one of the weak points of French industry.

The new measures come against a background of government concern at France's declining surplus in trade in manufactured goods and a loss of French market share.

Morgan Grenfell shares fall to discount at debut

By Richard Tomkins in London

MORGAN Grenfell, the UK merchant bank whose offer by tender of 32m shares last week was nearly five times oversubscribed, yesterday surprised the stock market by ending first-day dealings at a discount of 15p to its 500p ($7.70) striking price.

Early support took the shares to a 16p premium when dealings began, but the market was quickly swamped by sell orders and the price fell as low as 480p before recovering to close at 485p.

At that price Morgan Grenfell remains Britain's biggest quoted merchant banking group by market capitalisation at a value of £730m.

Morgan's debut was in marked contrast to that of Thames Television and Borland International the day before, which saw premiums of 21 per cent and 10 per cent respectively.

Mr Guy Dawson, a director of the bank's corporate finance department, blamed market conditions. "The sector generally had had a strong run up over the last couple of weeks, but profit-taking has set in over the last couple of days and we were just unfortunate over the timing," he said.

"Obviously we are slightly disappointed but we are not unduly concerned."

Some financial experts put forward other possible explanations. One theory was that investors feared Dixon's failure to take over Woolworth on Tuesday could signal an end to the takeover boom and that merchant banks' corporate finance earnings would suffer accordingly.

All merchant bank shares lost ground in London yesterday with Mercury International down 38p at 770p, Kleinwort Benson down 25p at 810p and Hill Samuel down 10p at 400p. However, dealers saw the declines more as a reflection of Morgan Grenfell's disappointing debut than any other consideration.

Another theory for the poor response was that licensed dealers making a grey market in the stock at around 520p before dealings began were overburdened with stock and unloaded it on to the market at the first opportunity.

Some analysts, however, were blaming Morgan for being too greedy over the striking price. "They picked 500p because it was a nice round figure and no one dared knock it in public because they are such an important client," said one.

Morgan's Mr Dawson strongly denied that the price was too high. "In an offer by tender you set the striking price according to the volume of applications. We were covered nearly five times at 500p and that is higher than you would normally expect," he said.

Intervention fails to stem yen's rise

Continued from Page 1

ties have not made any attempt to stop the yen from rising by cutting interest rates, and have so far been content to rely only on central bank intervention.

The dollar continued its slide against the yen in London, where it closed at Y181.35, its second lowest level, and at one point fell below Y181.

Apart from Tokyo, the markets were relatively quiet, with New York preparing to shut down for the Independence Day long weekend. But a combination of factors have combined to swing sentiment against the dollar.

In addition to a larger-than-expected US trade deficit in May and a larger-than-expected trade surplus for Japan in the same month, there have been disappointing economic statistics from the US this week suggesting the economy may be slowing down. This has fuelled speculation that the Fed may cut the discount rate next week, further undermining the dollar.

The much-heralded meeting of the West German Bundesbank's Council proved to be of little interest. Neither the discount rate nor the Lombard rate were changed.

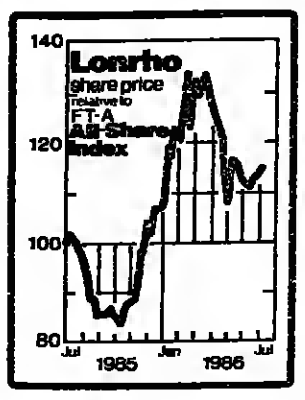
The good news about monetary growth, trailed tantalisingly by the Bundesbank President, Mr Karl Otto Pöhl, earlier this week turned out to be that the rate of growth of the money supply was 6.5 per cent, down from the 7 per cent and higher of earlier months, but still outside the target range of 3.5 to 5.5 per cent.

Sterling traded quietly, remaining on the sidelines, while attention focused on the dollar-yen rates. The Bank of England's sterling index closed at 76.2, unchanged from the opening and Wednesday's close.

THE LEX COLUMN

Paris on the line for ITT

The middle of a Saharan heatwave might seem like the ideal moment to sell a water company. But the weather being changeable, and the financial attractions of the water boards rather mixed, the UK Government is probably well-advised to turn off the tap. The market is soon enough going to be adequately supplied with piped utilities in any case.



ITT/CGE

The deal to transfer ITT's telecoms equipment business into a new company controlled by CGE of France has all the broad sweep one should expect from a sovereign state and a national institution. It is hard to see which element of the transatlantic story offers the greater drama: ITT's divestiture of the better part of $5bn of capital-intensive and not very remunerative turnover and $1bn of balance-sheet debt or the revolution in the European market for public switches that looks set to follow a successful consummation.

But while Wall Street is rejoicing in the transformation of ITT into a financial services company with a machine shop at the back, the European markets – including the putative partners in the European holding company – are still looking for answers to some weighty questions: what CGE or the Europeans are buying in terms of assets and earnings and how it's all going to be paid for? No wonder the markets spent a good deal of yesterday speculating on such kitchen-sink matters as the minorities in STC or SEL.

The assets on offer, however unprofitable to Wall Street's tastes, do earn a return. The cash sum to be paid to ITT by the European holding company, or about $1.5bn excluding the debt to be refinanced, might seem a high price for a system that nobody thinks much of, but the marketing network of the ITT subsidiaries must be a plum to any company (such as CGE) that thinks it has a better system. But Siemens is probably so entrenched as court supplier to the Bundespost that a change of ownership at SEL probably will not amount to much.

CGE has shown great audacity in the financing. Even for a company that is relatively liquid and profitable by French standards, the key to the financing was always going to be the minorities: if CGE really can find four partners to put up $300m each for 10 per cent of the holding company – which seems to be the plan – then the French Government and capital markets can enjoy the role of spectators. The Belgians and the Spaniards may be almost signed up, but why Plessey or GEC should stump up for small shares in a company run by Frenchmen is not very clear. GEC will no doubt prefer to argue that their own merger must go ahead or Europe will be parcelled up without them.

Evered/McKechnie

Evered's offer for McKechnie fails squarely into the category of bids from conglomerate managers with hungry ratings to support, and McKechnie has spent all year looking like a natural victim. But the tide has turned somewhat against the automatic acceptance of even a good story from the bidding company, and it is perhaps unfortunate for Evered that an earlier bid from Williams has served to sharpen up the McKechnie defence.

McKechnie has indeed a reasonable case for staying independent. It has invested well in plastics over the past six years, has profit growth to show for it, and played quite a plausible end-game in the non-ferrous metals which were its historical core. The purchase of IMI's extrusion business has provided cheap market share and cash flow to cover a period of re-equipment in its existing plant. This may not appear dynamic management, but neither does it look a suitable case for treatment. The balance is delicate, though yesterday's 15p drop in McKechnie's share price to 260p suggests that it has shifted towards the defence. It would be a pity if McKechnie's ineffectual attempt to take over Newman Tonks had soured its institutional relations to the point of no return.

Morgan's discount

To stag a tender offer is always asking for trouble, since half the point of having a tender at all – rather than a fixed-price offer – is to ensure that more of the profits accrue to the issuer than to the stags. To expect a premium therefore implies that the stag believes that the issuer will strike the price so unambitiously as to undermine the argument for having a tender in the first place. The stags' reason for expecting Morgan Grenfell to take this feeble line, despite the logic, was its long-term interest, as a corporate finance machine, in not being associated with issues that flop.

But there is an inherent conflict between wanting to raise a decent amount of money and solicitude for the aftermarket. Striking at a price that was five times covered by applications seemed a fair enough compromise on the part of Morgan, and the grey-market premium of around 20p appeared to back this judgment. But the amount of cover is probably always less than it looks, and bucket-shop prices may include a scarcity premium that does not survive trading in the physical market.

Lonrho

To say Lonrho's interim statement is more detailed than in the past is not giving away much. The market could deduce without need of a statement that African, particularly South African, earnings would be adversely affected by translation. And most investors would have worked out that the Mexican earthquake would have reduced the popularity of holidays in Acapulco. It would be nice of Lonrho to tell the market how serious these effects had been.

On the other hand, it does seem that the UK interests have continued to perform well, making up the pre-tax gaps left by currency effects and the absence of House of Fraser. The advance in UK profit is presumably behind Lonrho's ability to provide for tax at a significantly lower rate than last year. Tax is indeed the main reason for progress in attributable profit, which at last year's 50 per cent rate would have increased by roughly £0.75m, rather than the £5.9m on view.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	-	—	—	Malta	C	27	81	Rhodes	S	27	81
Algiers	-	—	—	Edinburgh	C	17	63	Manchester	F	20	68	Rio de J'o	R	28	82
Amsterdam	S	22	72	Faro	S	24	75	Manila	C	31	88	Rome	S	27	81
Athens	F	27	81	Florence	S	29	84	Melbourne	C	15	59	Salzburg	S	29	84
Bahrain	S	35	95	Frankfurt	S	31	88	Mexico City	C	25	77	San Francisco	C	22	72
Bangkok	F	34	93	Funchal	F	21	70	Miami	R	30	86	Seoul	F	24	75
Barcelona	S	25	77	Geneva	F	27	81	Milan	-	—	—	Singapore	F	31	88
Beirut	-	—	—	Gibraltar	S	24	75	Montreal	C	21	70	Stockholm	S	23	73
Belfast	C	15	59	Glasgow	C	17	63	Moscow	F	21	70	Strasbourg	T	27	81
Belgrade	T	24	75	Guernsey	F	16	61	Munich	S	27	81	Sydney	S	22	72
Berlin	S	31	88	Helsinki	S	20	68	Nairobi	C	17	63	Taipei	R	34	93
Biarritz	C	18	64	H. Kong	R	26	79	Naples	F	29	84	Tangier	S	27	81
Bombay	F	33	[illegible]	Innsbruck	F	29	84	Nassau	F	32	90	Tel Aviv	S	29	84
Bordeaux	C	24	75	Inverness	C	17	63	New Delhi	F	36	97	Tenerife	S	25	77
Brussels	F	27	72	Islamabad	F	37	99	New York	F	24	75	Tokyo	C	21	70
Budapest	F	28	82	Istanbul	F	27	81	Nice	S	26	79	Toronto	C	24	75
B. Aires	F	18	64	Jakarta	F	32	90	Nicosia	F	36	97	Tunis	S	31	88
Cairo	S	35	95	Jersey	F	18	64	Oporto	-	—	—	Valencia	S	29	84
Cape Town	C	11	52	Jo'burg	S	17	63	Oslo	F	23	73	Venice	S	27	81
Caracas	R	27	81	Lima	C	19	66	Paris	F	26	79	Vienna	S	27	81
Casablanca	S	24	75	Lisbon	S	24	75	Peking	C	26	79	Warsaw	F	29	84
Chicago	C	24	75	London	F	24	75	Prague	S	29	84	Washington	F	21	70
Cologne	F	20	68	Los Angeles	F	32	90	Reykjavik	F	14	57	Zurich	F	26	79
Copenhagen	S	26	79	Luxembourg	F	15	59								
Corfu	S	29	82	Madrid	S	31	88								
Dallas	F	25	77	Majorca	S	33	91								
Dublin	C	17	63	Malaga	S	29	84								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Leutwiler resigns

Continued from Page 1

and is in line to meet or exceed the budgeted surplus.

Over the first five months, exports rose by R2bn to R15.78bn while imports were just over R1.5bn higher to give a surplus of R4.92bn on trade account compared with a R4.38bn surplus over the same period of 1985.

Keeping this year's capital repayment to a limit of $2.18bn, however, depends upon the willingness of some holders of maturing trade credits to rollover their loans. The reserve bank was confident that this would happen and that the good will generated by the 5 per cent re-payment of loans within the "standstill net" and prompt payment of all interest would facilitate next year's round of negotiations with creditors.

The risk now is that the suggestion that South Africa might be forced to renege on its repayments could induce some creditors formerly disposed to roll over all or part of their maturing credits to think twice, thus increasing pressure on the currency and reserves, which at end of May, stock at a meagre R3.53bn.

Dr Gerhard de Kock, South Africa's central bank governor, said in Pretoria last night he had no immediate comment on Dr Leutwiler's resignation, but a statement was possible today.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday July 4 1986

Allianz issue likely to raise DM 2bn

BY DAVID BROWN IN FRANKFURT

ALLIANZ, West Germany's leading insurance concern, will seek approval from its shareholders to issue up to 10m "profit-sharing certificates" in several stages following its annual meeting in October. Fully subscribed, the issue could raise some DM 2bn ($914m).

Only last week the group said it boped to raise DM 721m this month through a one-for-15 rights issue (adding DM 40.1m to bring Allianz's basic capital to DM 641.5m) in order to cover "future expansion of business."

The group did not reveal the exact timing or terms of the new exercise but said a first tranche of shares would be offered in the form of a rights issue.

The management is, bowever, anxious to reach foreign investors with a larger offering at a later stage. The certificates (whicb have features of both bonds and shares and a nominal value of DM 10) offer certain tax advantages for foreign investors, Allianz said.

Allianz has been tight-lipped about its current foreign acquisition plans. For some time it has said it is considering the purchase of a US company to complement its modest life and non-life activities there but has yet to produce a suitable candidate.

It has already made a major £305m ($469m) acquisition of Cornhill Insurance of the UK early this year, as well as that of RAS, Italy's second-largest insurance group, in 1984.

At present some 18 per cent of the gronp's worldwide premium income of DM 17.4bn (excluding RAS) is generated abroad.

Allianz forecasts that growth on its domestic market will moderate somewhat this year, with premium income rising by a maximum of about 4 per cent. However, it expects at least to maintain its dividend at DM 12 a share.

Net profit for the new Alliance concern (including the holding company and its German non-life operations but excluding the life insurance business) rose last year from DM 302.5m to DM 327.7m.

The operating profit before tax on the underwriting operations rose from DM 169m to DM 302m. Profit on "general business" (mainly investment income) fell sligbtly

Assitalia plans L 250bn share sale

By Alan Friedman in Milan

ASSITALIA, one of Italy's leading state insurance companies, is to raise around L250bn ($167m) by means of a share issue to be offered both on the Milan bourse and in London.

The partial privatisation offer will see 23.5 per cent of Assitalia sold by the state – the present share structure has 74.4 per cent of Assitalia in the bands of INA, the state insurance group, and 25.6 per cent with IMI, the state medium-term corporate finance institution.

Around 15 per cent of the L250bn, or nearly L40bn, is being raised in London, where the lead-manager is IMI Capital UK, a recently formed British office of the Rome-based IMI group. A consortium of London-based banks will underwrite the London end of the operation, which will be in the form of e private placement.

A further 8 per cent of Assitalia has already been privatised by means of the issue earlier this year of bonds with warrants to buy equity. This brings to 31.5 per cent the total portion of the company being privatised.

Assitalia last year had gross premium income of L1,080bn and net income of L22.2bn. The company has 1,950 employees.

Saint-Gobain takes long-term view

David Housego in Paris looks at the expansion plans of a nationalised French industrial group that is taking an optimistic view of its future

THE HEADS of most nationalised groups in France these days are looking no further forward than the end of this month when they expect to be confirmed in their posts or dismissed. But Mr Jean-Louis Beffa, chairman of Saint Gobain, the glass and engineering concern, and at 44 one of the youngest presidents of a nationalised company, takes a longer view: "I have clearly in my head what Saint Gobain will look like 10 years from now."

His proposed acquisition of a major US concern is in line with his strategy of extending the international activities of Saint Gobain and of recentring it on its traditional interests. He believes that the French group's takeover of CertainTeed, its US subsidiary and the base of its further US expansion, is "one of the best things it has done" in recent years – demonstrating the French group's capability of making inroads into the US insulation materials market on the basis of its own technology.

He sees Saint Gobain as a world leader in the fields it knows best – flat glass-making, producing high-quality bottles and flasks, insulation materials, reinforced fibres, refractory products and the developing of new composite materials – while generating profits through its mastery of advanced technologies and its shift into increasingly higher value-added products.

This confident picture of the future contrasts with the less glowing reputation that Saint Gobain has gained in receot years as one of the "lumbering giants" of French industry – a victim of recession in the construction and car industry and trapped in activities that require beavy capital investments but yield low returns.

It has also made a number of false starts. It launched itself into the computer industry througb its purchase of a stake in Olivetti, only to be bundled out by the Socialist Government. It then looked to the construction and civil engineering sector, and later to the management of city services, througb its takeover of Société Générale d'Entreprises (SGE) and its acquisition of a 20 per ceot stake in Compagnie Générale des Eaux.

But the first proved a costly purchase and is still making losses while the second remains an unwilling marriage partner.

Mr Beffa believes that the days when Saint Gobain migbt have seemed like e "boat stuck in the mud" are over. Profits are expected to rise by 88 per cent this year to FFr 1.2bn ($174m) on the basis of a 12 per cent increase in turnover to FFr 76bn – with a sustained but more modest profit growth in the years ahead.

Contributing to this improved performance is the fact that the outlook for the construction and automobile sector – among Saint Gobain's main clients – is better than it was. "There are no miracles," Mr Beffa says, "but the market for us bas stopped getting worse, and in the car sector it is good."

Added to this, the costly restructuring of the group's artivities – above all in France and West Germany – is almost over; as a major consumer of energy Saint Gobain has been benefiting from falling oil prices, and it has also seen its financial charges fall througb lower interest rates.

Apart from these immediate factors, Mr Beffa now believes that all the main activities of the group will contribute to profits growth. Flat glass-making – whicb bas been absorbing FFr 1bn of investment a year including the building of plants in growing markets sucb as Brazil and Spain – has been showing a strong rise in trading profits.

Mr Beffa is counting on the development of higher value-added products – such as "thermic" glass in buildings and the thinner glass being demanded by the car constructors – to sustain this performance.

The insulation materials business, which has been a substantial loss-maker in recent years, should return to the black this year.

The group's pipes division has been expanded by the purchase of Stanton and Staveley in Britain – making Saint Gobain world leader in the water and sewerage pipes sector. Profits were small last year but are improving.

Among the possibly strongest growing activities are Saiot Gobain's interest in reioforced fibres, ceramics, refractory products and new composite materials with potential use in a wide area of higb technology industries.

It seems likely thet the group's US acquisition is intended to reinforce this sector while diminishing the volume of group turnover generated out of France. France generates 41 per cent of sales, including exports.

The group's main problem remains the future of SGE which it bought from the state-owned Compagnie Generale d'Electricite (CGE) as part of its expansion into civil engineering. Mr Beffa says that he is determined to put SGE back on its feet and will then review the situation.

Its other problem is what to do with its stake in Compagnie Générale des Eaux. In portfolio terms the group has made a handsome potential capital gain, with its stake now worth FFr 2.4bn as against a purcbase price of FFr 900m.

Mr Beffa would still like an industrial collaboration with Compagnie Générale, but this seems increasingly unlikely after statements from the company this week that it regards Saint Gobain more as a competitor than a partner. Over the long term Mr Beffa says that it is "not very comfortable" to have so much cash tied up in a portfolio investment.

Both the groups proposed expansion in the US and its recent issue of FFr 2.4bn *certificats d'investissement* suggest that Saint Gobain will be among the first big industrial group to be privatised. Mr Beffa leaves little doubt that he would like a foreign institution to take a small stake – recalling with satisfaction the 6 per cent holding that a West German bank had before Saint Gobain was nationalised in 1982.

German Ford optimistic on return to profit

BY OUR FRANKFURT STAFF

FORD of West Germany, an offshoot of the US motor group, sharply cut its 1985 loss and expects to return to profit this year.

On the basis of sales in the first five months, the management predicts profits of at least DM 100m ($45.7m) in 1986 and hopes to increase its market share to 11.2 per cent.

Volume sales in the first five months advanced by 7.5 per cent to 390,000 vehicles, of which 364,000 were automobiles (up 5.5 per cent).

Ford said domestic registrations picked up by 27.5 per cent und claimed it was the only German producer able to improve its domestic car market share during the period, by nearly one point to 10.9 per cent.

Turnover last year climbed by 13 per cent to DM 14.44bn from DM 12.78bn, and the operating loss was trimmed from DM 298m in 1984 to DM 50m.

● BMW, the Munich-based car and motorcycle manufacturer, reported parent-company turnover in the first balf advanced by 3 per cent to DM 7.6bn.

Daimler-Benz

SOME WORDS were inadvertently omitted in yesterday's article on management changes at Daimler-Benz. The passage in question should have read: "In the new board there will be a separate division for cars (headed by Mr Werner Niefer, hitherto responsible for overall production) and one for commercial vehicles (headed by Mr Gerhard Lienér, until now responsible for Daimler's subsidiaries)."

Elders sells mine for A$112m

BY GORDON CRAMB IN LONDON

ELDERS Resources, the energy and mining affiliate of Mr John Elliott's Eldes IXL, yesterday revealed a vigorous piece of year-end portfolio rearrangement with the A$112.22m (US$72.5m) sale of its 15 per cent bolding in Kidston, the North Queensland mine which is Australia's biggest gold producer.

The sale of the stake was on June 30 – the last day of Elders Resources' first financial year of existence in its present form. The initial buyer was Bain, the Sydney stockbroker, which has since placed the 18.75m shares domestic ally and abroad.

Using Bain as a conduit enableo Elders Resources to complete its side of the deal in sufficient time to include the proceeds in its 1985-86 accounts.

The move followed the decision 10 days earlier by Placer Development, the Canadian mining house, to float its Pacific interests, prime among whicb is 70 per ceot control of Kidston. Elders acknowledged on Monday that its own holding was open to offers.

The A$5.985 a share price on the deal compares with a A$6.30 closing level for the residue of Kidston shares in the market et the end of last week, before Elders hinted at its intentions. The shares bave since fallen back, however, to finish 8 cents lower in Sydney yesterday at A$5.90.

Elders Resources, 47 per cent owned by Elders IXL, was formed a year ago from the parent's existing mining interests and the then-listed Mungana Mines. At the time, the Kidston holding was valued conservatively at A$67m, with the new company paying a national A$3.61 a share for the stake in the mine.

On its launch, Elders Resources forecast 1985-86 net earnings of some A$18.8m.

New Zealand to sell part of state bank

BY DAI HAYWARD IN WELLINGTON

NEW ZEALAND'S Labour Government is to sell off a third of the state-owned Bank of New Zealand (BNZ) to the public.

The Government says this is not privatisation because the new shareholders will bave no voting rights and the Government will retain full control of the bank.

The move is designed to raise NZ$150m (US$83.3m), which the bank urgently needs to finance its on-going operations. Bank resources have been stretched providing loans and other assistance to farmers and others needing financial support during the economic downturn.

Many Labour MPs were strongly opposed to the move, believing it was a reversal of a long-standing and traditional Labour Party policy.

Only after Mr Rod Campbell, a prominent trade union official, wbo is a director of the BNZ, spoke at yesterday's caucus meeting did a majority of Labour MPs give their approval.

INTERNATIONAL COMPANIES and FINANCE

Nick Garnett on the need for further rationalisation in the world tractor industry

Massey-Ferguson heads for a grim year

YET MORE gloomy production forecasts seeping out of the world tractor buildiog industry, suggesting an even grimmer year than almost anyooe expected, bave left Mr Jim Felker, president of Massey-Ferguson's *farm equipment division*, in little doubt about what should happen.

"It all implies that if you are going to have profitable producers then there has got to be more capacity rationalisation," be said last week at the division's headquarters near Coventry.

Massey, which claims to be the biggest tractor producer with 17.4 per cent of the world market, estimates that this year's production of tractors over 40 hp in the western world will be between 410,000 and 460,000, down from last year's 510,000.

"It's worse than we expected. Even more severe than we budgeted for," said Mr Felker.

Despite substantial plant closures within the industry over the past two years, some on the back of mergers and takeovers, such depressed output would put the industry's low plant utilisations almost back to square one.

"The industry is still running at 50 to 60 per cent of capacity on two shifts in the West," says Mr Felker. For combine harvesters, the picture is even more stark with plant ntilisations as low as 30 to 35 per cent. "Where are there economies of scale in an industry turning out 30,000 units a year?" he asks.

Some industry observers question whether Massey's farm equipment division, part of the Varity group—the new International name for Massey Ferguson—will be prepared to keep its three principal tractor building plants, all concentrated in Europe.

A number of senior managers in Massey are known to think that running three sites — at Coventry (the Western world's largest tractor plant), Beauvais, France and Fabbrico, Itsly is a costly luxury.

The problem facing Massey though is bow to rationalise sensibly, and try to avoid steep closure costs.

Coventry, which makes 50,000 units a year is engaged in a £60m reinvestment programma and will this year introduce a much updated 45 hp-98 bp range. Beauvais, producing 11,000 tractors will also introduce this year a new 70-110 bp tractor for which Massey is already claiming some outstanding performance benefits. Fabbrico makes more apecialised tractors in the 45 hp-80 hp bandings.

Some competitors believe Massey might seek a collaborative venture in which it can use one of its plants to make products on behalf of another company.

Mr Felker makes it clear that he would like to see the industry cut out excess capacity by collaborative arrangements between the big producers, but sees little chance of that. "I could be wrong but there is no gossip about talks at the moment. There is no sign of people being seen at airports huddled in meetings."

He says there is more chance that some of the smaller producers will shut down, arguing that a 10 per cent cut in industry capacity would result in substantial bottom line improvements in the balance sheets of the survivors.

This might be wishful thinking. The industry has little recent track record of small manufacturers disappearing.

Jim Felker: hoping to avoid high closure costs.

"They are like old soldiers. They never die, they just fade away slowly," Mr Felker concedes.

Signs of the continuing traumas of the farm equipment industry are never hard to find however. The vast losses run up in the early 1980s as markets collapsed have been partly stemmed and in a few isolated cases reversed, but few weeks go by without news of more *painful financial figures*. Few businesses are making money and most are still stuck in the red.

John Deere, the leading US farm equipment manufacturer and probably the world's biggest producer of agricultural equipment, declared a $33m loss in the *second* quarter *last* May, following a net loss of $34m in the previous quarter. It halved its quarterly dividend and reduced its 1986 production schedule for tractors and combines.

Steyr-Daimler-Puch of Austria last month announced doubled losses of $40m for last year of which a decline in international orders for tractors contributed *significantly*.

Renault, struggling with vast losses in its car operations, keeps repeating that it wants to get out of tractors and has had talks with Massey. Those discussions, says Mr Felker, are lying fallow at the moment.

Tenneco, whose JI Case purchased International Harvester's farm machinery division last year for $488m, has announced that it is selling its insurance operations for $1.5bn following a slide in oil and gas-related revenuea. Senior management at Tenneco said at the end of last year that it would not pump money indefinitely into the merged JI Case-IH business.

On the other hand Tenneco has been sounding more optimistic recently about the potential success of the IH purchare. Ford, one of the world's top three tractor hullders, while predicting a dismal European market this year of 250,000 unit sales says: "We are not displeased with our progress."

Ford purchased the New Holland farm machinery business last year in a move to broaden its farm equipment range in the same way that Deutz bought Allis Chalmers also in 1985 for much the same reason.

Fiat, the number two producer in Europe, is also claiming to have a small profit margin on sales.

Mr Felker's prognosis for the next ten years though is that the *harsh environment* for equipment makers is here to stay, with no let up in the pressure on commodity prices, continuing reinvestment worriea for farmers, and no sign that Third World countries will have the cash to boost demand for equipment.

This is despita an expected, if temporary, rise in sales in 1988-89 on the back of a replacemant cycle for the tractor purebase hoom more than ten years earlier. "We are going to have flat volumes with limited upside potential. It's skewed much more to the downside."

Overall Mr Felker says he is pleased with tha direction in which Massey's farm equipment divsion is moving. The size of its operating profit this year will depend on how the new models are received, he says. Massey bas gone further down the road than most companies in offloading manufacturing of smaller equipment to contract manufacturers, and Mr Felker says this policy will continue.

All its European combine manufacturing is outsourced and its Canadian combine operations were wrapped up in a separate company last year of which Massey has just a 40 per cent stake.

Forward planning in the deaign of drills is now done outside the company and Mr Felker says he is looking to place contracts for certain types of planters with outside contractors. He is also discussing the possibility of outsourcing Massey ploughs.

New investment at the Coventry plant is half way through a three year programme which includes retooling, the closure of a 300,000 sq ft facility at Baginton near Coventry and the transfer of its machine tools to the Coventry site and a fully computerised order, manufacturing and despatch system.

City Securities wins respite from creditors

BY CHRIS SHERWELL IN SINGAPORE

CITY SECURITIES, the debt-ridden Singapore broking house, yesterday won an interim court injunction protecting it from 23 bank creditors following the collapse of a rescue initiated by Sun Hung Kai Securities of Hong Kong.

The rescue bid faltered when the Singapore stock exchange authorities rejected Sun Hung Kai's proposed 100 per ceot takeover of City Securities' seat. The exchange said its "curreot policy" was to allow no more than 49 per cent foreign ownership.

The decision coincided with the expiry on Wednesday night of a four-month-old standstill agreement between City Securities and its creditors. As of early May, City had S$78m (US$35.5m) in debts and another S$58m in obligations under outstanding forward share contracts.

If City goes under, it will be the sixth Singapore broking firm to go out of business since the Pan-Electric debacle over forward contracts which shut the Singapore and Malaysian markets for three days in early December.

Yesterday City applied for a *14-day* injunction from the court. This was contested by two bank creditors, Citibank and American Express. A decision on the application is due to be made today.

The stock exchange's decision on the Sun Hung Kai rescue prompted some confusion, since it appeared to contradict stated government policy. Last month, the Monetary Authority of Singapore (MAS), the island state's powerful regulatory agency, said publicly that foreigners could hold a majority stake in local broking firms.

This declaration was qualified with the requirement that such foreigners be committed to introducing new business. It is *therefore possible* that Sun Hung Kai, although 25 per cent owned by Merrill Lynch of the US, waa seen as too much part of the South East Asian region, and too beavily involved in local business alrendy, to meet this standard.

However, it is also likely, that strong resistance came from the Big Four local banks which have bought their own seats on the *stock exchange since December*. They dominate the exchange's supervisory committee, and are said to be against further competition, at least until their own firms are better established.

News of the collapsed rescue bid came in an announcement *from the steering committee of* City's bank creditors. The committee said City's banking advisers bad told it that Sun Hung Kai was not prepared to vary the terms of its offer, which required 100 per cent immediate ownership.

American Express takes Philippine stake

By Samuel Senoren in Manila

AMERICAN EXPRESS Bank has bought a 40 per cent in International Corporatc Bank (Interbank) of the Philippines for US$16m. The interest was sold by the state-owned National Development Company, a large holding company which is being privatised by President Corazon Aquino in nrder to reduce government involvement in business.

Interbank is the Philippines' seventh largest commercial bank in terms of net worth at 740m pesos ($36m) as of end-1985. It was among six banks rescued and later acquired by the government from their previous owners during the past five years.

American Express's entry into Interbank does not involve any new cash flow but merely represents a conversion of part of its loans to the Philippines into equity.

Foreign banks have a total loan exposure of $14bn to the Philippines.

Mannesmann sees 1986 setback

MANNESMANN expects structural problems in its pipemaking division to cause a drop in group profits in 1986, said Mr Werner Dieter, managing board chairman. However, the results would still be satisfactory, he told the annual meeting, writes Reuter.

Group profil in the first five months was lower than a year earlier because the pipe division slipped into losses starting in April, be said. Turnover in the five months fell 5 per cent to DM 5.9bn ($2.7bn).

Bull to buy Spanish holding

BULL, the French state computer group, plans to acquire a 40 per cent stake in Spanish information technology company, Telesincro. The company said the purchase formed part of a memorandum of nnderstanding covering technical and industrial co-operation for the development of Telesincro's activities in Spain.

The statement aald 30 per cent of Telesincro would remaln with Spain's Inisel, which is part of the Spanish national industry institute, INI.

Eaton expects improved earnings by year-end

BY NICK GARNETT IN LONDON

EATON, the Ohio-based manufacturer of vehicle components and electronic equipmeot, will see the earnings decline it has experienced over the past year reversed, probably in the final quarter of this year, Mr Stephen Hardis, the company's vice chairman and chief financial and administrative officer, said yesterday.

Such an improved performance, however, depended on the US economy *reacting to* the *stimulus* of lower oil prices and interest rates in the way Eaton expected it to, be added.

The overall financial performance of Eaton, which bad sales of $3.7m last year, would not return to the growth levels of 1984 wheo the company benefited from pent-up demand, mainly in the US. "But 1987 will be n better year than 1986," Mr Hardis said in London.

He stressed that the company intended using its cash resources either to consolidate and expand activities where Eatoo already had leading market slots or on repurchasing shares.

Already 73 per cent of its products are sold in markets where Eaton holds the leading or second-largest share. The company has just purchased the Illinois-based Control Company of the US which *will be merged into its existing* appliance and automotive control operations. It is also buying this month Consolidated Cootrol of Connecticut, which shares the same customers and makes compatible products with Eaton's aerospace and military products division.

These two purchases would absorb about $350m to $375m of Eaton's cash, Mr Hardis said.

The company is also discussing with Clark Equipment of Indiana the purchase of that company's transmission business which would give Eaton a stronger presence in *medium trucks*, *where* it *has* been traditionally weak. Altogether truck components account for about 30 per cent of Eaton's turnover.

The Eaton board agreed a policy of buying back up to $500m of Eaton shares over a five-year period. A little more than $50m worth has been purchased in the first six months. The company is also planning to *raise* $100m in loog-term debt to finance further acquisitions.

Eaton is already a significant global producer of many of its products, and this policy of sourcing production around the world will be further extended, Mr Hardis said.

New electric components for motor starters are being introduced into the US, but they are intended for worldwide production, for example. There will also be further integration between the product line-up in the US for automotive and appli*ance control equipment* with those factories in Italy, Monaco, France and West Germany in the same Eaton operating division.

INTL. COMPANIES & FINANCE

David Owen looks at the leveraged buy-out of a Murdoch newspaper

A new dawn for Chicago Sun-Times


Rupert Murdoch (left) "an unwelcome intruder in Chicago," when he bought the Sun-Times from Marshall Field (right) in January 1983

THE CHICAGO Sun first hit the streets on December 10 1941, three days after the Japanese attack on Pearl Harbour, which thrust the US into the Second World War. Nearly 45 years later, the $145m deal which has taken the renamed Sun-Times out of Mr Rupert Murdoch's News Corporation stable into the hands of its senior management and of a New York investment firm may resurrect the circulation battle with the Chicago *Tribune* for pre-eminence in the city's stagnant newspaper market.

The sale is believed to be the first time a big US newspaper has been acquired in a leveraged buy-out. It marks the latest ownership change in the domestic newspaper publishing industry.

Last month, Times Mirror of Los Angeles sold the Dallas Times Herald to the Singleton Group for $110m in cash and paper. This followed the Los Angeles publishing company's agreement to buy Baltimore Sun newspapers from A. S. Abell for $600m.

In May, Gannett, now the largest domestic newspaper group, bought two Louisville titles from the Bingham family for $300m to add to other recent acquisitions, the Des Moines Register and the Detroit News.

Since News Corp acquired the title in January 1984, daily circulation of the Sun-Times has remained static at about 630,000. This compares with the Tribuna's 760,000 and makes it the 11th largest newspaper in the country. Sunday circulation has dropped marginally to 660,000, while the Sunday Tribune has registered a 2 per cent gain to 1.16m.

The Sun-Times' current share of advertising lineage is estimated at 40 per cent by Mr Robert Page, who will be president, publisher and chief executive in the new corporation. The Tribune puts its own share of the advertising revenue lavished on the two newspapers at nearer 75 per cent.

The static circulation figures have led to doubts that the city can continue to sustain two big newspapers. Both discontinued the publication of afternoon editions in the past year. Both, however, have remained profitable, with Sun-Times' pre-tax earnings trickling to some $9m on revenues of $200m since Mr Page arrived at the helm with Mr Murdoch in 1984.

Most observers, including Mr Page, agree on two points. First, that the task in hand is "a tough job" and second, that the price tag is a steep one. "We are paying for our success," Mr Page maintained. "But I am not disappointed with what we have paid. We are doing extremely well." Mr Murdoch paid Mr Marshall Field's Field Enterprises some $100m in 1983 for the newspaper and a news syndicate, valued at about $25m, which is not included in this week's sale.

With a heavy debt burden likely to hang over the new corporation, a healthy cash flow is clearly vital if the Sun-Times is to prosper. Mr Page maintains that the company "could get by" on current cash flow, but expects careful cost management and growth in circulation and in advertising earnings to generate some improvements. The group is releasing no details of the loan terms agreed with Citicorp, although Mr Page confirms that the company's debt equity ratio will be "high."

While the buy-out may stretch resources to the limit, the calibre of the main protagonists is not in doubt. Adler and Shaykin, the firm which is the investment group's leader, has been involved in several leverage buy-outs, including the purchase of Folger Adam, a prison lock manufacturer, and GP Technologies, a manufacturer of typewriter elements. Mr Page himself presided over a spectacular 45 per cent year-on-year circulation gain at the Boston Herald immediately before his arrival in Chicago.

Should the going get tough, the company has the potential safety net of its valuable real estate, just across the river from The Loop, Chicago's downtown business and financial district. "It is a first-class site," says Mr Leonard Caronia, a senior vice president at First National Bank of Chicago. Analysts put the value of the property at between $50m and $60m.

If goodwill alsone were sufficient to ensure the venture's success, the Page group would already be home and dry. Most Chicagoans appeared to regard Mr Murdoch as an unwelcome intruder and many resented his attempts to popularise the newspaper.

Even Mr Stanton Cook, the Tribune's publisher, has said he will be "running across the street" to shake Mr Page's hand. If the corporation can translate this afterglow into improved circulation figures, and if Mr Page's optimism regarding the financial package proves justified, Mr Cook may find himself running back across the street to brighten up the Tribune's sometimes lacklustre and complacent product.

German bourses reach milestone on road to reform

JONATHAN CARR reports on the formal start this week of an association of West German stock exchanges. The new body faces a heavy programme—and a lot of problems

IT CAN'T be called a Big Bang and cautious officials even avoid calling it a reform. But the formal start this week of an association of West German stock exchanges is a milestone all the same. It marks one more effort to ensure that *Finanzplotz Deutschland* does not lose ground against the foreign competition—above all London, New York and Tokyo.

Many non-Germans will probably be astonished to learn that a stock exchange association is only being horn now but they fail to reckon with the intense regional pride and rivalry inherent in Germany's federal system. The country has eight stock exchanges and despite the rapid advance of electronic communications and moves towards a global securities market not even the smaller ones among the eight feel their existence is a hit superfluous.

For outsiders (and even quite a lot of insiders) it has been hard up to now to gain a quick overview of the market. Even statistics such as total German bourse turnover have not heen readily to band. True, there bas long heen a joint working group of the eight exchanges, but this was a loose hody with no permanent beadquarters or staff. This is changing.

The new association bas a chairman — Mr Gernot Ernst, president of the Berlin bourse; a manager — Mr Rüdigec von Rosen, who is leaving the Bundesbank where be has been a close aide to the president; an advisory board of experts; and a base in Frankfuct.

One key difference between the old working group and the new association involves the voting system. Previously unanimity was needed, meaning that lhe smallest exchange alone could block a decision. Now the exchanges have a voting strength in the association's annual assembly roughly equal to their share of overall hourse turnover. That gives Frankfurt (easily the largest) 50 per cent. Dusseldorf 30 per cent, Munich 7, Hamburg 5, Stuttgart and Berlin 3 each and Hanover and Bremen 1 each.

A majority of 75 per cent is needed for adoption of a proposal—so that if Frankfurt and Düsseldorf are agreed they can push through whatever they please. This arrangement was hard for tbe other exchanges to swallow aod the system was agreed only after tortuous negotiations lasting for more tban a yeac. But it is clear that if accord had not been reached, Frankfurt and Düsseldorf would have gone ahead with arrangements of their own. The two biggest exchanges have the main international links and clientele and stand to lose most if tbe German system stays archaic and business drifts elsewhere.

The new body faces a beavy programme—and a lot of problems. It will get national bourse statistics together, prepare a joint annual cepoct, and try to cut duplication of effort and paperwork among the eight exchanges. It will also seek to present a common front to the outside wocld and lobby the Government, not leaat for abolition of *Börsenumsatzsteuer*, the mucb-criticised stock market turnover tax. The latter tax meana that a lot of secondary trading (foc example in the recently permitted floating rate notes) automatically slips tbrough German hands to foreign centres where a similar levy is not Imposed.

The association also needs to push through technical changes, for instance by improving data-processing links between the exchanges to help achieve a genuine country wide market. As one sign of the times, Frankfurt and Dusseldorf are already putting their hitherto different computerised dealing systems on a joint basis—work which should be completed next year. But it remains to be seen bow soon the German markets will move to one. In principle self-evident, reform — a uniform quote for the same stock on all the exchanges. Smaller exchanges oppose the idea because different quotes allow them to earn from arbitrage business.

Other steps might include cbanging boucse wocking bours, which are often extended on an *ad hoc* business, to fit in better with exchanges abroad. One big question, in Germany as elsewhere, is bow fac electronic leading may come to replace *transactions on the floor of the* exchange.

Even without these reforms, the German stock market is no longer the dull and puny affair it used to be. Germans stress with mingled pcide and astonisbment that stock market turnovec last year jumped by 79 per cent to DM 436bn — putting Germany in third place internationally after New York and Tokyo but before London.

The equity market still lags behind major foreign rivals but it is steadily gaining in depth and diversity. In 1983 12 new companies came to the bourse with an issue volume of just DM 318m, in 1984 there were more than a scoce with a volume of DM 1.7bn and last year just 12 again but with a volume of DM 1.8bn. This year the DM 2hn Feldmühle Nobel (former Flick group) issue alone has ensured tbat 1986 volume will he a record, and a lot of smallec companies are also going public, with more waitiog in the wings.

Many new entrants have been attracted by the almost continuous (but now shaky) bull market since the summer of 1982. That surging market, in turn, has been fostered not least by foreign investors attracted by often underpriced German shares as well as by exchange rate gains. As recently as 1980 foreigners invested a net sum of only DM 569m in German domestic shares. Last yeac the figure had jumped to a net DM 10.6bn, and in the first five months of this year It doubled against the same period of 1985 to DM 7.8bn.

Much the same goes foc the German bond market, where foreigners have now emerged as bigger buyers than domestic investors. This development is flattering for the Germans—but worrying too. It raises the question of what would bappen if foceigners, wbethec foc economic or political reasons, lost their enthusiasm for German bonds and equities. That points up the need to take furthec steps to make the German markets more attractive. Both the Bundesbank and the Government have taken action which points in the right dicection. Now the stock exchanges are moving too — albeit slowly.

Sweden launches Y20bn bond

BY CLARE PEARSON

FIXED-RATE markets traded thinly yesterday despite widespcead bopes of a cut in the US discount rate this month.

No new fixed-cate issues in dollars surfaced, although there were three such deals in other currencies. First to appear was a Y20bn five-year hond for Sweden. Nomura International set its coupon at 5½ pec cent and price at 101.

Sweden is the second sovecelgn borrower to tap the Euroyen market recently, following a Y80bn seven-year bond foc Canada last week. Despite the lack of entbusiasm with whicb many cecent issues, and especially those for banks, have been received, Sweden's issue seemed to meet strong demand. and was increased to Y25hn. The bond was quoted late in the day at 99.30 on the bid side, within 1⅞ per cent fees.

The second fixed-rate deal was launcbed by Orion Royal Bank. It was a C$35m five-year bond for Fibreglas Canada, which is 50 per cent owned by PPG Canada. Tbe coupon was set at 10 pec cent.

Lastly, Mocgan Guaranty launched a DKr 180m bond for Copenhagen County Authority. The seven-year hond pays interest at 9¼ per cent and is priced at pac. The issue follows a five-year 8⅞ pec cent deal foc Denmack launched earliec in the week.

S. G. Warburg increased a recent $100m three-year bond for GTE Finance to $150m.

There were two new dollar issues for Japanese companies in the equity warrants sector. Yamaichi International issued a $25m bond foc Tamura Electric Wocks. The company manufactures pay phones and data terminal equipment.

The five-year bond will be priced on July 8, but the coupon is indicated at 2⅞ pec cent. Warrants will be exercisable for a five-year period. Tbe par priced bond traded al 99 on the bid side yesterday.

Meanwbile, Nomura International launched a $40m bond for Kumiai Chemical Industry, the agricultural pesticides concern. Like Tamura's deal, the bond has a five-yeac life and indicated coupon of 2⅞ per cent. Final terms will be set on July 10.

Nomura said the bond traded at 98⅞, against a par issue price. The share price yesterday stood at Y1,680. The bigh this year was Y2,400, while the low was Y1,400.

Terms were set on two outstanding equity warrant bonds. Yamaichi International priced at $60m bond for Dainippon Pharmaceutical, $20m of wbich is issued in Asia by Daiwa Singapore. The coupon was set at 2⅞ pec cent. The foceign exchange rate was set at Y163.80. The exercise price on the warrants was set at Y3,220, a 2.5 per cent premium over yesterday's sbare price.

Nikko Securities reduced the coupon on a $20m five-year deal for Toyo Wharf and Warebouse from an indicated 3 pec cent to 2⅞ pec cent. The warrant exercise price was set at Y675, a 2.58 per cent premium over yesterday's share price.

The D-Mark market tcaded thinly, with prices easing downwards. There was just one new issue, for Mitsubishi Chemical Industries. The DM 300m seven-yeac equity warrant bond will be priced on July 11, but the coupon was indicated at 1½ per cent, and price at par. The execcise premium on the seven-yeac warrants is expected to be set at 2½ per cent. The bond traded at 99½, as against a par issue price.

In the Swiss franc market, prices moved up by as much as ½ point. Dealecs said the market had been encouraged by a fall in sbort-term interest rates below 5 per cent.

Norsk Hydro issued a Fl 250m deal in tbe Dutch domestic market. The bond has a final maturity in 1996, but an average life of eight years. The coupon was set at 6½ pec cent.

Japanese investment trusts' net assets well ahead in first half

BY YOKO SHIBATA IN TOKYO

NET ASSETS held by Japan's investment trusts increased by Y5,025.8bn in the first half of this year to stand at Y24,998bn ($153bn) at the end of June. In the same period of the previous year the inccease was only Y560bn. The trigger for the big expansion was investors' growing preference for their high yield's.

The Investment Trust Association attributed the increase to the fact that interest cates for time-deposits and postal savings fell to tbe lowest level since the second world war, in line with the three consecutive reductions of the official discount rate since the beginning of this yeac.

In addition, stricter controls wece imposed on tax-exempt postal savings to countec abuse by high Income earners evading tax on savings. This prompted a flight of funds from postal savings to Investment trusts.

Among investment trusts, stock investment trusts and medium-term government bond "Chukoku" funds grew significantly. The balance of Chukoku funds expanded Y840.2bn in the first six months of this year to stand at Y4,852.4bn. The Chukoku funds were launched in 1980 and developed into a major financial instrument totalling Y6,000hn at its peak in 1984 to account foc nearly 50 per cent of the total investment trusts. However, Chukoku funds slumped after corpocate investors switched funds to Money Market Certificates, launched in March 1985, as new bank instruments with similar features. The comeback of Chukoku funds in the first half of this year cesulted from falling interest rates on bank deposits and postal savings.

The amount of unit-type stock investment trusts established ducing the period came to Y2,310bn, up 23 per cent from a year before.

Japanese investment trust companies have recently begun to step up their investment in foreign bonds. Funds investing in foreign and domestic bonds establisbed from this March have reacbed a total of Y1,400bn. Most investment trust companies are planning to raise the pcoportion of foceign bonds to around 70 per cent from the current 60 per cent of the total investment assets.

Long-term bond funds wblch have been recently launched are now investing up to 10 per cent of the total investment assets in foreign bonds. The companies are also considering raising the proportion of foceign bonds to between 30 and 50 per cent of the total investment assets.

In order tn improve the pecformance of Japanese investment trusts, the Ministry of Finance has recently carried out a series of decegulatory measuces, allowing portfolios to switch to high-yield instruments.

Foreign banks take part in Federal issue

By Jonathan Carr in Frankfurt

A TOTAL of 19 foceign banks incorporated in West Germany will take part in the federal bond consortium for the first time wben the next government bond issue is made later this month.

Last month the Bundesbank Invited 16 foreign banks to take part in the consortium, whicb places govecnment, post and railway bonds, and asked for a firm answer by June 25.

It is understood that in the meantime all 16 bave accepted — and that three Fcench banks not originally included in the list have been added, since they fulfil the Bundesbank's conditions on expecience and placing power, and wish to participate.

This bcings the total of banks in coosortium to 91 — 72 of them German domestic banks. The foreign banks have been given a 20 pec cent quota in tbe consortium wbicb, in tbe view of the big German banks, is too bigh.

Thailand seeks rescue of First Bangkok City Bank

BY BOONSONG K'THANA IN BANGKOK

BANK OF THAILAND, the country's central bank yestecday stepped in to help rescue the financially troubled First Bangkok City Bank by ordering a capital restructuring.

First Bangkok, which ranks 10th in terms of assets among the 16 Thai commercial banks, will increase its capital by 2bn baht ($75.9m) under a Bank of Thailand instruction. This came aftec the bank's shareholders failed to endorse a similar plan, aimed at reducing 2.7bn babt in debts incurred by the bank.

Kamchorn Sathicakul, the Bank of Thailand governor, sald the increase would be made in tbe form of issuing new sbares. Of the total, 500m baht would be provided by tbe government-controlled Rehabilitation and Development Fund, while the central bank would seek investors to subscribe for the remaindec.

Bank of Thailand will also provide a 3.3bn baht soft loan to the bank to ald liquidity.

● The Hong Kong Government bas petitioned a court to order the liquidation of First Bangkok City Finance, a deposit-taking company affiliated with the troubled bank. AP-DJ adds from Hong Kong.

"There is nobody left in Hong Kong to manage the company," an official statement sald.

$500m paper programme for Shearson

By Alexander Nicoll

SHEARSON LEHMAN Bcothers is to begin issuing up to $500m of Euro-commercial paper during the next few weeks to support tbe working capital requirements of the securities group's operations outside the US.

The paper will be in tbe name of Shearson Lehman Ltd, with the guarantee of Shearson Lebmao Brothers Holdings, wblch is rated A1 plus by Standard & Poor's and P1 by Moody's Investors Service. Maturity will be less than 183 days.

Meanwbile, Oesterreichiscbe Laenderbank, Austcia's second largest commercial bank which is 85.7 per cent owned by the Government, is arranging a $300m programme under which it will he able to issue Euro-commercial paper and Euro-certificates of deposit. Morgan Guaraoty is arrangiog tbe deal and will be a dealer along with the issuer's London branch, Shearson Lehman Brothers, Swiss Bank Corporation International and S. G. Wacburg.

Issues of both types of paper are expected to begin later this month. The hank's short-tecm debt is rated P-1 hy Moody's.

Kleinwort and BZW recruit swaps teams

SWAPS TEAMS were on the move in the Eurobond mackel yesterday, with both Barclays de Zoete Wedd and Kleinwort Benson recruiting specialists from other houses.

Barclays de Zoete Wedd, the securities arm of the Barclays group, added a four-man team from Shearson Lehman Brothecs International to their existing swap group. They are Mr Malcolm Walley, Mr Camecon McNeill, Mr Nigel Fox and Mc Jeremy Preddy.

Mr Grabam Pooley, recently appointed bead of Barclays' new issue origination and swap business, said of Barclays' new team: "The international deal-doing experience of these people and Barclays' intended development in the world's capital markets is an exciting prospect."

Meanwhile, Mr Nick St Aubyn and Mr Mark Rowan will leave Morgan Guacanty, where they have both been working for some years, to handle sterling interest rate and cuccency swaps at Kleinwort Benson. They will both be vice presidents of Kleinwort Benson Cross Financing, Kleinwort's US West Coast arm, but will work in London.

Profits slide at Riyad Bank

By Finn Barre in Riyadh

RIYAD BANK, Saudi Arabia's second largest bank, has reported a 63 per cent drop in earnings during its year ended March 11, to riyal 189.4m ($50.5m) against riyal 511.5m.

It increased its provisions for bad loans by 11 per cent to riyal 333m. Revenues declined 14.2 per ceot to riyal 88.8m due largely to declining interest

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on July 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	102	102⅜	+0⅛	−0⅛	9.51
Atlan. Richfield 10¼ 00	250	106¼	106⅝	+3	+2	9.16
Australia Com. 11 95	200	115½	116	+0⅝	+1⅛	8.42
Australia Com. 11¼ 00	200	116	116½	+0⅛	+2⅛	9.15
BP Capital 9¾ 94	100	101⅞	102⅜	+0⅛	+0⅛	8.77
BP Capital 11¼ 92	150	109	109½	−0⅛	+0⅛	8.94
Campbell Soup 10⅜ 95	200	111	111½	+0⅛	+0⅛	8.66
Canada 9 96	2000	107⅛	107⅝	+0⅛	+0⅛	7.86
Canada 11½ 90	500	113⅛	113⅝	+0⅛	+0⅛	7.64
Canadian Pac. 10⅝ 93	100	108	108½	−0⅛	−0⅛	9.09
CEPME 10⅜ 91	100	108	108½	+0⅛	+1⅛	8.13
Citicorp 10 88	260	105⅛	105⅜	+0⅛	+0⅛	7.16
Chicorp 10¾ 95	200	109⅞	109⅞	+0⅜	+0⅜	9.06
Credit Lyonnais 9 91	200	103⅝	104⅛	0	+0⅛	7.94
Credit National 9⅛ 93	150	104⅝	105⅛	+0⅛	+0½	8.14
Denmark Kingdom 7⅞ 93	250	97⅝	98⅛	+0⅜	+0⅛	8.35
Denmark Kgdm. 11½ 90	100	111⅝	112⅛	−0⅛	+0⅛	7.79
Denmark Kgdm. 11½ 92	100	115⅛	115⅝	+0⅛	+1⅛	8.05
EDC 8½ 92	100	101⅝	102⅛	−0⅛	+0⅛	8.08
EEC 8¼ 96	100	101⅞	102⅜	0	+0½	7.93
EEC 8⅞ 91	150	103⅞	104⅜	0	+0⅛	7.52
EEC 9⅛ 90	350	105⅛	105⅝	−0⅛	0	7.99
EIB 10¼ 94	200	110½	111	+0⅛	+1⅛	8.41
EIB 12 95	250	121½	122	−0⅛	+0⅛	8.48
Eli Lilly 10⅛ 92	150	110½	111	−0⅛	+0⅛	8.00
Export Dev. Cpn. 10 90	100	107⅛	107⅝	+0⅛	+0⅜	7.66
Fed. Dep. Strs. 10⅛ 95	100	109⅝	110⅛	+1⅛	+1⅛	8.48
Ford Motor Cred. 10½ 91	150	107⅞	108⅜	+0⅛	+0⅜	8.51
Ford Motor Cred. 11¼ 90	200	109⅝	110⅛	+0½	+0½	8.00
Gen. Elec. Cred. 10⅞ 00	200	106½	107	+0⅜	+0⅛	9.36
GMAC 10¼ 89	200	106⅞	107⅜	+0⅛	+0⅜	7.42
GMAC 8½ 93	200	101½	102	+0⅛	+0⅜	8.16
IADB 9⅞ 95	200	110	110½	+0⅛	+0⅜	8.26
IADB 10½ 95	250	113⅛	113⅝	+0⅛	+0⅝	8.36
Kellogg Co. 10⅝ 90	100	107½	108	+1⅛	+1⅛	8.22
New Zealand 7⅝ 90	100	99½	100	−0⅛	+0½	7.94
New Zealand 8⅛ 93	150	99⅝	100⅛	+0⅛	+0½	8.20
Pepsico Inc. 7⅞ 93	200	95½	96	+0⅜	+0⅛	8.79
Procz. & Gamb. 'A' 9⅞ 92	150	106	106½	−0⅛	+0⅛	8.57
Pru Realty Secs. 12⅛ 95	546	115⅝	116⅛	+0⅛	+0⅛	9.51
Qantas Airways 10⅞ 95	140	112⅛	112⅝	+0⅛	+0⅛	8.36
Queensland Govt. 10⅞ 95	100	110⅞	111⅜	+0⅛	+0⅛	8.44
Ralston Purina 11⅛ 95	150	113⅞	114⅛	−0⅛	+0⅛	9.36
Saab Scania 9½ 93	125	105⅛	105⅝	0	+0⅛	9.09
Saskatchewan 10⅜ 92	100	112⅛	112⅝	+0⅛	+0⅛	7.91
Scandinavia Air. 10⅛ 95	250	109⅝	109⅞	−0⅛	+0⅛	8.50
State Bk. S. Aust. 9⅛ 93	100	102⅞	103⅛	+0⅛	+0⅛	8.59
Statoil 10 90	170	107⅝	107⅞	+0⅛	+0⅛	7.76
S. Wales Trsy. 11⅛ 90	250	110⅝	110⅞	0	−0⅛	8.37
Swed. Exp. Cred. 10 92	100	109½	110	+0⅛	+0½	7.88
Sweden 8⅛ 96	200	104⅞	104⅞	−0⅛	+0⅛	8.04
Sweden 10⅛ 92	250	110⅝	111⅛	+0⅛	+0⅜	7.97
Sweden Kgdm. 10⅞ 90	200	109⅞	110⅜	−0½	−0⅛	7.72
Sweden Kgdm. 11⅛ 99	100	115½	116	−0⅛	+0⅛	8.99
Tenneco Cpn. 10⅜ 95	150	†107⅛	107⅝	+0⅛	+0½	9.47
Utd. Tech. Fin. 10⅛ 95	100	110⅞	111⅜	+1⅛	+2⅛	8.81
Victorian Rep. 11⅞ 92	150	113⅛	113⅝	+0⅛	+0⅜	8.55
World Bank 9⅛ 2016	300	106⅛	107⅛	+0⅛	+0⅛	8.59
World Bank 9⅜ 2016	300	107½	107⅞	−0⅛	0	5.99
World Bank 10⅛ 95	300	113⅛	113⅝	+0⅛	+1⅛	7.98

Average price changes on day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	107⅛	107⅝	+0⅛	+0½	6.76
Austrian Elec. Co. 6½ 95	150	99⅝	100⅛	+0⅛	+0⅛	6.52
BMW 5⅛ 96	200	92⅛	92⅝	0	+0⅛	6.29
Daimler Benz Int 5⅛ 01	500	96⅛	97⅛	0	−0⅛	6.06
Dow Chemical 5⅝ 96	300	92½	93	−0⅛	0	6.65
Dow Chemical 6⅛ 95	300	101½	102	+0⅛	−0⅛	6.49
EIB 5½ 98	150	95⅛	95⅝	+0⅛	+0⅛	6.06
EIB 6⅞ 95	300	104⅛	104⅝	−0½	+0⅛	6.22
EIB 7⅛ 94	300	103⅞	104⅛	+0⅛	+0⅜	6.61
Emhart Corpn. 6⅛ 95	175	102⅛	102⅝	−0⅛	+0⅜	6.38
Eurofima 6⅛ 96	100	100	100½	0	+0⅛	6.21
Ex.-Im. Bk. Korea 7⅛ 90	200	102⅛	103⅛	+0⅛	+0½	6.74
Finland Republic 7 92	200	103⅞	104⅛	+0⅛	+0½	6.11
Hoesch Int. Fin. 7 95	100	102⅞	102⅞	+0⅛	+0⅛	6.61
Hydro Quebec 5½ 96	125	92⅛	93⅛	0	+0⅛	6.48
Hydro Quebec 6 2016	150	94⅝	95⅛	−0⅛	−0⅛	6.42
IBJ 5⅝ 96	200	94½	94⅞	−0⅛	−0⅛	6.37
Ireland 8⅛ 92	150	107⅛	107⅝	+0⅛	+0½	6.54
US Elsam 6⅛ 95	125	99⅝	100⅛	−0½	−0⅛	6.74
Korea Dev. Bank 6⅛ 93	100	†93⅛	94⅛	0	−0⅛	7.78
Mitsubishi M. 3⅛ 89 WW	100	108	108½	+0½	+0½	0.70
Mitsubishi M. 3⅛ 89 XW	100	93⅛	93⅝	0	+0⅛	5.22
Renfe 7⅛ 95	100	†103⅝	104⅛	+0⅛	+0⅛	6.82
Soc. Cent. Nuclear 7⅛ 95	150	†103½	104	+0⅛	+0½	6.48
Soc. Cent. Nuclear 8 91	100	104⅝	104⅞	−0⅛	−0⅛	6.93
Sterweg 5½ 96	100	93⅛	93⅝	−0⅛	−0⅛	6.70
World Bank 7 95	600	†104⅛	104⅛	0	+0⅛	6.33
Yorkshire Intl. 6⅛ 2001	200	93	93½	+0⅛	0	6.99

Average price changes on day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corpn. 5⅜ 94	130	†100½	101	+0½	+0⅛	5.26
Brit. Land Comp. 6½ 99	75	†104⅛	104⅝	+0⅛	+0⅛	6.00
Chrysler 5⅜ 96	100	†101⅛	101⅝	−0½	−0½	5.55
Council of Europe 6 92	150	†103	103½	−1	−0½	5.38
Creditanstalt 5½ 94	100	†101½	102	+0⅛	0	5.29
Deutsche Bk. Fin. 5⅛ 95	100	†104	104½	0	+0½	4.75
Gen. Occidentale 4½ 94	80	†115	115½	−1	+0⅛	2.47
Glendale F. S&L 5½ 95	100	†100	100½	−0½	−1	5.46
Humana 5⅛ 98	120	†98½	99	0	0	5.27
Ind. F. Finland 5⅛ 94	40	†100	102½	+1	+1⅛	5.26
N. Zealand Steel 5⅛ 96	70	†100½	101	−1½	+0½	5.65
Oberos. Kftwk. 5⅜ 95	100	†101½	102	−0⅛	+0½	5.11
Olivetti Intl. 5½ 95	100	†103	103½	+2	+1⅛	5.04
Pepsico 5⅛ 95	130	*†102	102½	−0⅛	−0⅛	4.92
Phibro-Salomon 5⅛ 97	110	†99½	100	−0½	−0⅛	5.15
Ralston Purina 5⅛ 94	125	†102	102½	+0⅛	0	5.03
Settsu Euro. 0 2001	100	†46	46½	−1	−1	5.40
Tokyo Elec. Pwr. 5½ 93	100	†101	101½	−1	0	5.26
Tokyo Metropolis 5⅛ 94	80	†101½	102	0	+0½	4.99
World Bank 5⅛ 94	150	†103⅝	104⅛	0	+0⅛	5.15

Average price changes on day −0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Exp. Os. Cr. 5⅞ 91	20	98½	99	+0⅛	+0⅛	6.17
Denmark 6⅛ 96	10	101⅛	101⅝	+0⅛	+0⅛	6.16
Dow Chemical 6⅛ 01	25	93⅛	93⅝	+0⅛	+0⅛	7.38
EIB 6⅛ 96	25	102⅞	102⅞	+0⅛	+0⅛	5.76
Prov. de Quebec 6 98	25	95⅛	95⅝	+0⅛	+0⅛	6.55

Average price changes on day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex. Ex. Os. Cr. 0 91 A$	100	†51⅞	52⅞	−2⅛	−1⅛	14.46
Bremer Ldbk 12½ 91 A$	30	†100½	101½	−1⅛	−1⅛	12.44
Fiat Finance 14½ 89 A$	50	†100⅛	101⅛	−2½	−2⅛	14.03
GMAC 12⅞ 89 A$	40	†99⅞	100½	−1	−2	12.84
Landsbk. Rhein 13 89 A$	30	†98	99	−1½	−2½	13.62
Canadian Pac 10⅛ 90 C$	75	102	102½	+0½	+0⅛	9.66
Chrysler Fin. C. 10 91 C$	75	95⅛	95⅝	+0⅛	+0⅛	11.26
Genstar Fin. 11⅛ 95 C$	75	†107	107½	0	+0⅛	10.47
GMAC 9⅛ 92 C$	75	97	97½	+0⅛	+0⅛	9.89
Royal Trustco 10⅛ 90 C$	75	102⅞	103⅛	−0⅛	+0⅛	7.99
Sears Acc. 10⅛ 92 C$	75	†105½	106	−0⅛	−0⅛	9.35
Coca-Cola F. Cp. 17 90 N$	75	†104⅛	105⅛	−0⅛	−0⅛	15.15
Denmark 17½ 89 N$	50	*†103	103½	0	−1	15.76
Unilever Cap. 17½ 89 N$	50	†102⅛	103⅛	−0⅛	−0⅛	16.24
Copenhagen City 9 95 Ecu	40	†105½	106	0	+0⅛	8.09
EIB 8⅛ 95 Ecu	120	†105⅞	106⅛	0	0	7.42
Walt Disney 8⅛ 94 Ecu	65	†106⅛	106⅝	−0⅛	−0⅛	7.61
Honda Mtr. WW 3⅞ 90 Fl	100	†167⅛	168⅛	−0⅛	0	1.63
Honda Motor XW 3⅞ 90 Fl	100	†91	91½	−0⅛	−0½	6.60
Thyssen 7⅛ 90 Fl	50	†103½	104	0	−0⅛	6.19
Worldbore 7½ 90 Fl	75	†103⅛	104⅛	−0⅛	+0⅛	6.35
Wessanen 6⅛ 90 Fl	50	†101½	102	−0⅛	−0⅛	6.26
Tsthse. Forte 8⅛ 91 FFr	400	†100⅛	100⅝	+0⅛	0	8.48
Amev 11 95 £	50	†105	106	+0⅛	−0½	9.79
Australia Com. 11 92 £	40	104⅛	105⅛	+0⅛	−0⅛	9.85
GMAC UK Fin. 10½ 90 £	30	103½	104⅛	+0⅛	+0⅛	9.32
Imp. Chem. Inds. 10 05 £	100	102⅝	103⅛	+0½	+0⅛	9.64
Imp. Chem. Inds. 10⅛ 92 £	75	102⅞	103⅜	+0⅛	+0⅛	10.05
Invst. in Inds. Intl. 10 95 £	60	100⅛	101⅛	+0⅛	−0⅛	9.79
Leeds Bld. Soc. 10½ 91 £	50	101⅛	102½	+0⅛	−0⅛	9.89
McDonalds 10⅞ 90 £	40	103⅛	104⅛	+0⅜	+0⅛	9.38
Nationwide BS 10⅛ 93 £	75	100½	101⅛	+0½	+0⅛	9.92
MSW Treasury 10⅛ 92 £	50	102⅛	103	0	−0⅛	10.02
Royal Insce. 10⅛ 92 £	60	102⅝	103⅛	+0⅛	0	10.09
J. Sainsbury 10⅞ 93 £	60	104⅛	105	+0⅛	+0⅛	9.86
Tsthse. Forte 11⅛ 90 £	50	103½	104	+0⅛	−0⅛	9.86
World Bank 11⅛ 95 £	100	110⅛	111⅛	+0⅛	+0⅛	9.57
CoE 8⅞ 95 LFr	600	†105½	106	0	0	7.96
Nat. Lx. Alum. 10½ 92 LFr	600	*†105	105½	0	0	9.76

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Anglia Bldng. Soc. S 98 £	0⅛	100.06	100.16	14/7	10.44
Barclays Bank Perp. 1	0⅛§	100.43	100.73	2/7	8⅛
Barclays Bank Perp. 2	0⅛§	100.29	100.59	14/8	8⅛
Belgium, Kingdom of 91	0	100.80	100.90	19/8	8.06
BNP 5⅛ 95	0.05	102.45	102.55	18/7	8.05
Britannia 5 93 £	0⅛	100.09	100.19	8/7	10.25
CCF 5⅛ 97	0	99.65	100.15	14/8	6.94
Citicorp 98	0⅛	99.64	99.94	21/8	7.00
Credit Lyonnais 5 2000	0⅛	100.72	100.82	10/7	8.05
EEC 3 92 DM	0	100.38	100.61	20/8	4.64
EEC 5⅛ 95 Ecu	0.0512	99.83	99.98	30/4	9.91
Halifax Bldg. Soc. £ 94	0.1	100.51	100.61	6/8	10.54
Lloyds Bank Perp.	0⅛	100.57	100.68	9/6	8⅛
Midland Bank 2001 £	0.1	99.78	99.88	7/8	10.6
Milk Mrktg. Board 5 93 £	0⅛	100.01	100.11	17/6	12.32
NatWest Perp. A	0⅛§	100.41	100.51	9/7	8.32
NatWest Perp. B	0⅛§	100.51	100.61	9/8	8⅛
New Zealand 5 97 £	0.07	100.04	100.14	14/5	12⅛
New Zealand 5 2001	0	100.40	100.50	4/8	8⅛
Prudential Corpn. 4 95 £	0.1	99.75	99.85	5/6	12.35
Royal Bk. Scotland 5 Prp.	0⅛	100.38	100.48	11/6	8.44
United Kingdom 5 92	0	100.33	100.43	7/7	8.06
Woodside Financial 5⅛ 97	0	99.56	99.66	20/7	8.19
Woolwich 5 95 £	0⅛	†100.13	100.23	29/5	11.69

Average price changes on day +0.06 on week +0.05

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	263⅞	264⅞	+1⅛	5.85
Comcast 7 2000	12/85	23.87	*†124½	125½	0	1.17
Fanuc 3⅛ 98	1/84	7652	220⅝	221⅝	+0⅛	59.99
Fuji Heavy Inds. 3 2000	8/85	676	118⅛	119⅛	−0⅛	−3.71
Fujitsu 3 99	5/84	1320	117⅛	118⅛	−0⅛	15.02
Marui 3½ 99	7/84	1162	*†320	320⅞	−0⅛	−3.20
Minolta Camera 2⅛ 94 DM	2/86	1165	103	103⅛	−0⅛	33.09
Mitsubishi Bank 2⅞ 00	8/85	1760	129⅛	130½	+0½	1.17
Mitsubishi Elec. 2⅞ 00	3/85	422	129⅛	129⅞	−2⅛	−4.51
Mitsui Bank 2⅛ 00	4/85	101.9	114⅛	114⅞	+1⅛	−90.11
Murata 3½ 2000	7/84	2590	141½	142⅛	−4	17.81
Nippon Elec. 2⅞ 2000	1/85	1295	173⅛	174⅛	−1⅛	72.33
Nippon Oil Co. 3 2000	5/85	923	209½	210⅛	−0⅛	−2.30
OKI Elec. Ind. 3½ 99	10/84	805	154⅛	154⅞	+2⅞	2.49
Sanwa Bank 2⅛ 00	10/85	1486	136⅛	137	+2⅛	3.16
Sekisui House 3 99	6/84	612	286½	287⅛	+2⅛	−2.47
Sumitomo Bank 2⅛ 2000	8/85	2142	133⅞	134½	+3	3.27
Sumitomo Corpn. 2⅞ 99	3/84	595	255⅛	256	+5½	10.54
Taiyo Yuden 3⅛ 2000	3/85	1670	†145	146	+3	−1.82
Toshiba Ceramics 3 2000	4/85	1734	134	134⅞	+0⅛	−2.76
Nippon Oil Co. 2⅛ 92 SFr	3/84	1052	†143½	144	−0½	2.55
Nippon Shinpan 2 92 SFr	3/84	801	†209	209½	+2	13.13
Asics 5 92 DM	12/83	528	160⅛	161⅛	+0⅛	5.71
Renown 3⅛ 90 DM	3/85	675	152½	153½	−1⅛	−3.86

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Normans plans expansion as profits fall sharply

Normans Group, the warehouse food retailer which has been the subject of recent takeover speculation, has acquired **Wallis Frozen Foods**, a Leeds-based frozen food shop chain.

Along with the announcement Normans revealed a 26 per cent downturn in pre-tax profits to £1.71m for the year to March 29 1986. Earnings emerged 32 per cent down at 3.51p.

The Wallis acquisition will be paid for by the issue of 1,055,709 new ordinary Normans shares plus £350,000 in cash, equivalent to a total consideration of just under £1m. Estimates put Wallis's pre-tax profits at £210,000 for the year to end June, which on a 35 per cent tax charge puts the exit p/e at 7. However, if Wallis earns profits exceeding £600,000 in the period up to March 1989, Normans is liable to pay further consideration of up to £1.5m.

Wallis was a family concern run by two brothers David and Ian, the former of whom will now join the Norman board. The group has ten frozen food outlets in the north of England with some 11,500 sq ft of selling space and turnover in the year to end June estimated at £6.2m, an increase of around 32 per cent over the previous year. Normans has existing frozen food sales of around £6m.

The preliminary results of Normans were adversely affected by the depressed tea market. Turnover in the tea division fell 55 per cent and profits 79 per cent, overshadowing a 14 per cent increase in retailing profits to £2.2m on turnover of £90m.

During the year, Normans disposed of and sold branches in Stoke and Burton respectively and since year end it has sold the assets of Purbeck Ceramics.

An extraordinary item of £880,000 provided for closure costs. A further item of £650,000 was set aside to allow for abnormal revenue costs relating to future investment in marketing, distribution and systems development.

After the extraordinary items, there was a loss attributable to shareholders of £349,000. Despite that, the directors felt able to increase the final dividend to 1p net (0.90p), making a total of 1.9p (1.8p) for the year.

● comment

It was a case of "Everything stops for tea" last year for Normans and even a restatement of the 1985 figures which cut those profits by £126,000 could not disguise disappointing results. On the retailing side, the second half showed encouraging 26 per cent profits growth as two new stores began to contribute. However, with sales at existing stores growing by only 4 per cent and no new stores to come on tap this year, the company is cautious about its prospects. With one dummy run by former supermarket chief Lew Cartier recently behind them the Normans' management is bound to be concerned about possible predator interest and the Wallis purchase is designed to add a bit of sparkle to this year's figures. With tea at best stable this year, profits of £2m look likely putting the shares at 60½p, on a prospective p/e of 16.

Steady progress at Bulgin

AGAINST a background of another difficult period for the electronics industry generally, **A. F. Bulgin & Company**, maker of electronic and electrical components, made slow, but steady progress in the year to January 31 1986.

On a little changed turnover of £8.88m (£8.84m), pre-tax profits rose from £188,000 to £234,000. The result was struck after exceptional costs of £225,000 (£191,000) being £182,000 (£138,000) for the creation of the power conversion division and £43,000 (£53,000) for group reorganisation and rationalisation.

Following the omission of the interim and last year's final, there is a nominal final payment this time of 0.1p (0.58p interim in 1984-85). Stated earnings per 5p share increased from 0.36p to 0.54p.

Tax charge was £82,000 (£87,000) and there were also extraordinary charges much higher at £455,000 (£7,000). These comprised a £59,000 (£7,000) loss on the sale of investments and £396,000 (nil) for additional depletion of oil and gas interests due to the sharp fall in oil and gas prices. Book value of Bulgin's oil and gas interests now stands at £24,770.

Sales for the first quarter of the current year were about the same as for the comparable period last year, but the board said it was encouraged by a good order intake in May and June and a favourable market response to several recently introduced ranges of new products.

The position had been strengthened further by the weakness of sterling against the European currencies giving rise overall to an improved outlook for the current year.

Equity Consort net assets rise

Equity Consort Investment Trust increased net asset value to 463.2p (383.9p) per £1 ordinary share as at April 30, 1986, or to 726.3p (567.8p) per 50p deferred share.

After-tax revenue for the year was £686,000 (£616,000) and earnings 13.41p (12.28p) per ordinary share and 18.29p (16.16p) per deferred share. The ordinary dividend is 12.1975p (11.2p) net with a final of 8.6975p, while the deferred share dividend is 15.975p (14p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Berkeley Technology, Warner Holidays.

Finals: Anglo Nordic, Bertam, Imry Property.

FUTURE DATES

Interims—	
Denmans Electrical	July 14
Lloyds Bank	July 25
Updown Investment	July 24
Finals—	
Hellite	July 14
Lloyd (F. H.)	July 16
Thorn EMI	July 10

APPOINTMENTS

Changes at Lloyds Bank

A number of senior management changes are taking place at LLOYDS BANK. **Mr Terry Cullum**, senior general manager, retired on June 30. **Mr Max Lothert**, senior general manager, risk management division, will retire on July 31. He will be succeeded by **Mr David Harrison**, currently assistant general manager, corporate banking division, who becomes a general manager. **Mr John Davies**, general manager, UK retail division, becomes a senior general manager, with responsibility for market development in all UKRB commercial banking sectors, except agriculture, and for the introduction of Lloyds Bank Commercial Service. He will also be responsible for the six regions in which Lloyds Bank Commercial Service will first be introduced, namely the two new London regions, Birmingham, West Midlands, Thames Valley and South Midlands and Eastern Counties. **Mr Colin Wilks**, general manager, corporate Communications division, is appointed senior executive vice chairman, North America head office, New York. He is succeeded as general manager by **Mr Iain Cheyne**, assistant legal adviser.

★

The growth and development of AIR EUROPE, an operating division of the International Leisure Group, and the formation of Air Europa, a new Spanish airline in which ILG has a 25 per cent interest, has resulted in the creation of a new holding board. **Mr Denis Tunnicliffe** is appointed chief executive. Mr Tunnicliffe joined British Airways as a pilot 20 years ago and has held senior positions in industrial relations, planning and marketing within British Airways. **Mr Roy Phillips** remains managing director of Air Europe and also becomes deputy chief executive of the new holding board. **Mr Tomas Cano** has been appointed general manager of Air Europa. Mr Cano was previously operational director at Hispania.

★

THE BUILDER GROUP has appointed **Mr Nigel Walmsley**, managing director of Capital Radio, as a non-executive director. Until 1982, he was Post Office Board member for marketing and he has been special marketing adviser to the Secretary of State for Energy, and a member of the council of the Advertising Association.

★

Mr Howard J. Atkins has been appointed a director of TI GROUP.

★

Mr J. S. Gunn has been appointed financial director of ARMOUR FOODS (UK), part of The Greyhound Corporation, US.

★

Mr Lister Fielding, previously chief executive of the Allied Lyons subsidiary Victoria Wine, has been appointed managing director of the YOUNG'S franchise shops chain, taking in dress hire for men, Pronuptia bridal wear and La Mama (maternity wear). He succeeds **Mr Victor Young**. **Mr Christopher Hounsell**, previously with Curry's, has been appointed finance director.

★

Mr Charles Stephen Birkinshaw has been appointed financial director of JONAS WOODHEAD AND SONS. **Mr Brian Powell** has been appointed commercial director from August 1. Mr Birkinshaw joins from the Tempered Spring Company where he was financial director. Mr Powell will be joining from British Bright Bar where he is commercial director.

★

Mr Jeffrey Chandar, **Mr Richard Lutyens**, **Mr Nahum Vaskevitch** and **Mr Eric Wilkes** have been named managing directors of MERRILL LYNCH EUROPE and elected to the management committee.

★

Mr John Penrose has been appointed to the board of MANEX (Manchester Exchange Trust), as an executive director. He continues to retain overall responsibility for the group's currency management services.

★

Mr David Davis has been appointed finance director, THE WIGGINS TEAPE GROUP. He succeeds **Mr David Slebom** who has been appointed to the board of B.A.T. Industries as a finance director. Mr Davis, who was previously finance director, B.A.T. Stores, joined B.A.T. Industries in 1979 as a financial analyst.

★

SKETCHLEY has appointed **Mr Richard Lewis** as marketing director of the UK consumer division. He joins from Mansfield Brewery, where he was commercial director of Mandora, a soft drinks subsidiary.

★

PEERLESS, Birmingham, has appointed **Mr Kevin Durkin** as managing director of Randalls Electronics. He was division manager with Standard Telephones and Cables. **Mr Steve Jordan** becomes managing director of Peerless Cinpres, Tamworth, and **Mr Robert Arrowsmith** is now managing director of Peerless Roam Mouldings. **Mr Chris Kendall** has been appointed sales director of both Peerless Foam Mouldings and Peerless Plastics, and **Mr Paul Bagnall** is the new production director at Peerless Plastics. **Mr Brian Reynolds** becomes sales director of Wilkins Appliance Marketing, Birmingham, one of the group's domestic engineering companies.

★

Mr Akira Sugawara, general manager of NIPPON YUSEN KAISHA, London office, has been appointed a director.

★

Mr Gareth Pearce has joined SMITH & WILLIAMSON to head its corporate finance department. He was a director of Electra Management and a member of the investment committee of Electra Investment Trust.

★

Following the appointment of **Mr Alan Sneddon** as chief general manager designate of the CO-OPERATIVE INSURANCE SOCIETY, **Mr Peter Johnson** has been appointed deputy chief general manager designate. The present chief general manager, **Mr Arthur Duval**, will be retiring next year. Mr Johnson, who joined the CIS in 1952, has been general manager and actuary (non-life) since February 1979.

★

Mr Richard Virgo has been appointed project director designate of KILKENNY HOMES.

★

POLYPAL has appointed **Mr J. F. Tiernan**, as managing director. **Mr D. G. Evans** is leaving to form an autonomous sales company to market the Stalframe mezzanine floor system.

★

Mr Nicholas J. Fitzgerald and **Mr C. Michael Gregory** have been appointed to the board of TOUCHE, REMNANT & CO.

★

DALGETY UK has appointed **Mr R. G. McCreery** as managing director of Associated British Maltsters following the death of **Mr T. A. A. Macpherson**. Mr McCreery is a member of the board of Dalgety UK and will continue as chief executive of its general products division.

★

Mr J. D. Mackinnon has been appointed a director of KING AND SHAXSON HOLDINGS and a managing director of King and Shaxson.

★

SASINI TEA AND COFFEE has elected **Mr Peter Benson** chairman to succeed the late **Mr Robin Higgin**. Mr Benson is a director of a number of companies and is a nominated member of the Coffee Board of Kenya. **Mr D. A. R. Petrie** has become group managing director.

★

UNITED FRIENDLY INSURANCE has appointed **Mr J. R. Rampe** as chairman following the retirement of **Mr P. J. Williams**. **Mr R. E. Balding** has been appointed managing director and **Dr G. P. R. Mack** financial director.

★

BROWN, SHIPLEY AND CO has appointed **Mr Timothy R. Baron** as assistant director; **Mr Jeremy P. Knight** as senior manager; and **Ms Antonia F. Stewart** as manager. Mr Knight becomes vice-president while he continues as the bank's corporate finance representative in the US.

★

Mr Andrew Coppel, **Mr Jeremy Lucas** and **Mr Richard Strang** have been appointed directors of MORGAN GRENFELL FINANCE. **Mr Patrick Crawford** and **Mr Antony Norris** become directors of Morgan Grenfell International.

FT LAW REPORTS

Confidentiality prevents admission of evidence

GODDARD AND ANOTHER v NATIONWIDE BUILDING SOCIETY

Court of Appeal (Lord Justice May and Lord Justice Nourse): June 27, 1986

THE COURT may restrain a person from producing copies of privileged documents as evidence in an action if the application to restrain production is made before the hearing begins, but not if it is made during the hearing as a matter incidental to the main issue.

The Court of Appeal so held when allowing an appeal by Mr David John Goddard and Miss June Rose, from Mr Justice Hollings's decision refusing their application to strike out passages from the defence to their action against Nationwide Building Society.

LORD JUSTICE MAY said that in 1981 Mr Goddard and Miss Rose bought a house in Peoarth for £19,500 with a mortgage from Nationwide.

They instructed solicitors Godfrey Evans and Co, to act for them in connection with the purchase. Those same solicitors also acted for Nationwide in connection with the mortgage.

Before the purchase Nationwide's surveyor surveyed the house and his two reports were communicated to the buyers. The reports were very favourable, but recommended that £1,000 should be retained by Nationwide from the advance to cover the cost of repairing a bulging wall.

The buyers contended that they went on with the purchase in reliance on those reports. It subsequently transpired that the house was in a dangerous condition and had a value, not of £1,000, but of £7,500 less than the purchase price.

On October 6 1983 the buyers issued a writ against Nationwide claiming damages on the basis that the survey reports were negligent.

While acting in the purchase and mortgage transactions the solicitors had dictated a note for the file recording information they received from the local Nationwide manager and certain conversations they had had as a result with Mr Goddard. On November 9 1983, knowing of the proceedings, they wrote to Nationwide enclosing a copy of the note. Nationwide thereupon pleaded it in its defence.

On January 29 1985 the buyers applied to strike out passages from the defence based on the content of the note, on the ground that they were privileged. On April 25 they applied for an injunction to stop Nationwide using or copying the note. Mr Justice Hollings refused both applications. The buyers appealed.

On the basis of the terms of the note and the circumstances in which it came into existence, the only legal professional privilege attaching to it was that of the buyers and not of Nationwide.

For the buyers it was argued that the content of any communication, with immaterial exceptions, between a solicitor and his client, was confidential and only the client could waive that confidentiality. Where a solicitor breached his fiduciary duty in respect of such a communication, it was argued, any person who came into possession of the communication or a copy could be restrained from making use of it (see *Ashburton v Pape [1913] 2 Ch 469*).

For Nationwide it was argued that even though communications between solicitor and client were confidential, if a privileged document or copy came into the hands of a third party, even by dishonesty, that third party was entitled to use the original or copy as evidence in litigation between himself and the client (see *Calcroft v Guest [1898] 1 QB 759*).

In *Ashburton* a third party got possession of copies of privileged documents by a trick. At first instance he was restrained from publishing or making use of them "except for the purpose of pending proceedings . . ."

The Court of Appeal allowed an appeal against that exception. The ratio of its decision was founded on the confidential nature of the documents.

In that case the defendant had relied on *Calcraft v Guest* to support the exception. There the defendant, in the appeal, had sought to put in copies of privileged documents. Two questions arose. First, were the original documents privileged from production? Second, even if they were, could the defendant give secondary evidence of them by means of the copies?

On the first question, the Court of Appeal held in effect that once privileged, always privileged. On the second question, however, it held that secondary evidence was admissible.

In *Ashburton* the court distinguished the earlier authority on the basis that whereas there the question of admission of secondary evidence had arisen incidentally, in *Ashburton* it was the sole issue in the case.

Cozens-Hardy MR said that the rule in *Calcraft v Guest* was that if a litigant wanted to prove a privileged document he might produce a copy as secondary evidence, though obtained by improper means, because the circumstances under which the document was produced was not an issue in the case. But, he said, that did not have any bearing on a "case where the whole subject-matter of the action is the right to retain the originals or copies of certain documents which are privileged."

Lord Justice Swinfen Eady, also in *Ashburton*, said that the right to restrain a person from divulging confidential information and the right to give secondary evidence of privileged documents were "entirely separate and distinct." He said that "unlawful possession would not affect admissibility . . . in evidence if otherwise admissible."

Ashburton and *Calcraft* were good authority for the proposition that if a litigant had in his possession copies of privileged documents he might use such copies as evidence in his litigation; but if he had not yet used the copies in that way, the fact that he intended to do so was no answer to a claim against him to deliver them up or to restrain him from making use of them.

The appeal should be allowed.

LORD JUSTICE NOURSE, agreeing that the appeal should be allowed, said the crucial point was that the party who desired protection must seek it before the other party had adduced the confidential communication in evidence.

Nevertheless, public policy might preclude a party who had acted improperly in the proceedings from invoking the rule of evidence.

In *ITC Film Distributors [1982] Ch 431* the defendant had, at an earlier hearing, obtained some of the plaintiff's privileged documents by a trick. Mr Justice Warner held that the public interest that litigants should be able to bring documents into court without fear they might be filched by their opponents and used in evidence, required an exception to the rule in *Calcraft*. That decision proceeded not on an exercise of the court's discretion, but on grounds of public policy.

For Mr Goddard and Miss Rose: Corin Lightman QC and Beverley-Ann Rogers (Sharpe Pritchard & Co. for Grossman Hermer and Seligman, Cardiff).

For Nationwide: Robert Reid QC and Simon Berry (Church Adams Tatham and Co.).

By Rachel Davies
Barrister

UK COMPANY NEWS

Lonrho below estimates despite sharp UK rise

THE UK activities of **Lonrho** produced substantially higher profits in the opening six months of the 1985-86 year but some African companies suffered adverse exchange rates and on conversion to sterling showed profit downturns.

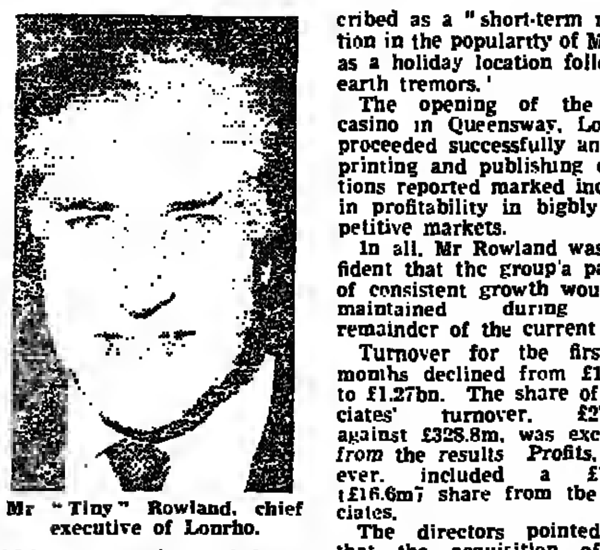
The overall result was that the group's profits at the pre-tax level rose by only £0.4m to £71.1m in the half year to March 31 — the City had been looking for some £75m.

By the close of business yesterday Lonrho's shares were standing at 255p, a fall of 6p on the day.

Below the line the group fared a lot better. A £5.3m lower tax charge of £30.1m left attributable profits 20 per cent ahead at £34.7m.

With earnings working through 1.8p higher at 11.7p the second interim dividend is effectively being lifted from 3.636p to 4p after allowing for last April's one-for-ten scrip.

Mr "Tiny" Rowland, the international conglomerate's chief executive, said yesterday that despite the downturns the African companies traded very well.



Mr "Tiny" Rowland, chief executive of Lonrho.

The UK hotel interests also performed well but Princess Properties International was affected by the dollar's decline and what Mr Rowland described as a "short-term reduction in the popularity of Mexico as a holiday location following earth tremors."

The opening of the new casino in Queensway, London, proceeded successfully and the printing and publishing operations reported marked increase in profitability in highly competitive markets.

In all, Mr Rowland was confident that the group's pattern of consistent growth would be maintained during the remainder of the current year.

Turnover for the first six months declined from £1.28bn to £1.27bn. The share of associates' turnover, £277.7m against £328.8m, was excluded from the results. Profits, however, included a £15.4m (£16.6m) share from the associates.

The directors pointed out that the acquisition of ten Scotch whisky brands, including Haig, from Distillers further strengthened the position of the Whyte & Mackay subsidiary.

See Lex

Manufacturing boost for Fitch

BOOSTED BY a strong performance from the manufacturing division Fitch Lovell reported pre-tax profits 21 per cent higher at £19.7m on turnover slightly down. And the food manufacturer and distributor said it was well placed for further growth.

Turnover for the year to April 26 1986 was £461.21m, against £463.24m last time when taxable profits came out at £16.31m. Earnings per 20p share were up from 17.13p to 20.29p and the total payment is being raised by 0.8p to 10.5p, on increased capital, with a recommended final dividend of 7p (6.7p).

Mr Geoffrey Hankins, chairman and chief executive, said that the progress had been achieved by following the programme, begun three years ago, of developing in specialist areas to meet growing demands for innovative and "healthy" products.

The manufacturing division saw pre-tax profits rise by 74 per cent to £12.09m (£6.94m) on turnover up at £282.69m (£244.18m). Mr Hankins said that the Ulster operations reported recovery in a market, which remains difficult, and the development of Robirch, Trent and Truran & Tarr was bringing substantial benefits in cooked meats and chilled foods.

The initial contribution from Bluecrest, which Mr Hankins described as the group's most significant acquisition during the year, was up to expectations. He added that Fitch had seen an opportunity to meet the requirements of the multiples serving a growing demand for fish products. In the last few days the group had strengthened its position in the market by buying Kilron Seafoods and J. B. Sim.

Distribution profits rose from £6.93m to £7.12m on turnover up at £164.74m (£158.49m). The integration of the newly-acquired businesses was successful, Mr Hankins said, and further expansion was planned in the present year.

Pre-interest profits were higher at £19.33m (£14.39m) and interest charges were substantially reduced at £387,000 against £1.93m. The tax charge was £4.95m (£4.25m), preference dividends and minority interests took £36,000 (£30,000) and there were extraordinary debits of £2.02m (£458,000 credits).

• comment

Although the long term strategy of Fitch Lovell is to concentrate on "healthy foods," it still retains a substantial interest in old staples like sausages and pork pies that no longer feature in the diet of the average jogger and gym frequenter. The disposal of much of the old bacon interests was thus welcome news to those investors who have held on to the shares as they have dipped from the 316p peak reached earlier this year to yesterday's 285p. Problems in distribution at Noel and Parrish & Fenn knocked some £1m off last year's profits which should come back this year but with food price inflation sluggish, turnover is unlikely to increase substantially. That will put emphasis on the newly acquired fish processing subsidiaries and adding in £1.5m for those, the £1m distribution savings and an extra 5 per cent for organic growth gives profits of around £23m. On a 25 per cent tax charge, the prospective p/e is 12.5. That does not look demanding but in the long term, a return to a full tax charge over the next two years will inhibit growth in earnings per share.

Tranwood claims 50% of Aitken

By Lionel Barber

Tranwood, the shell company headed by Mr Nicholas Oppenheim, yesterday said that it spoke for more than 50 per cent of Aitken Hume, the troubled financial services group.

But Tranwood's conditional £89m hostile bid for Aitken Hume appeared to have met a serious obstacle in the shape of Aitken's most valuable asset, National Securities & Research Corporation (NSR), the US fund management group.

Tranwood's offer is still conditional on NSR's approval, settlement of a $5m law suit involving Aitken in New York and the company's financial position, Mr Oppenheim said.

Mr Tony Constance, Aitken chief executive, said that eight of the nine independent directors at NSR had declared that they would consider recommending moving the $2.3bn funds under management elsewhere, in the event of Tranwood succeeding in its offer.

The declared opposition of the independent NSR directors was described last night by Mr Oppenheim as a "poison pill." But he said that, following a meeting yesterday with the Aitken Hume board, there was the prospect of a further meeting between Tranwood and the independent NSR directors in New York next week.

Aitken Hume said in a statement that it had no objections to such a meeting.

Mr Oppenheim pointed out that the hostility expressed by the independent NSR directors to Tranwood's offer was not new.

Mr Constance said that the threat to NSR funds under management raised the prospect of a "horrible train wreck." NSR constituted between 79 per cent and 93 per cent of Aitken's market capitalisation on one count.

Tranwood said that some of its acceptances (3.85 per cent) were not yet valid under Takeover Panel rules. It had also received a written statement of an intention to accept amounting to 1.09 per cent. In addition Phillips & Drew and Prudential Bache had bought 2.64 per cent at 165p per share.

Together with shares previously owned by a Tranwood subsidiary and further purchases (1.22 per cent), and previously announced acceptances (31.79 per cent), Tranwood was able to move over the 50 per cent mark.

David Goodhart on the closing stages of the bid for McKechnie

Vulnerable to the generation gap

WHEN Evered Holdings launched its bid for McKechnie Brothers on April 14 most analysts saw a slight improvement to the terms as a sufficient condition of victory.

The offer was improved and a cash alternative added but now nobody seems certain about the outcome.

The cause of this uncertainty is difficult to pin down. After all, the factors which contributed to Evered's popularity and McKechnie's weakness last April have not changed.

Although McKechnie survived the recession better than many other companies with a high metals content (and kept a reasonable dividend record) most of its shareholders have been less than enamoured with the recent record.

The flat profits would have been even flatter but for decent earnings from the Australasian businesses (16 per cent of 1986 forecast earnings) which themselves could have been even stronger but for a major fraud in an Australian subsidiary which Evered has pointed to as evidence of weak financial control.

The share of earnings from South Africa has been cut from 40 per cent in 1980 to 7 per cent forecast for 1986 but the management missed an option to sell last year which was perhaps the last opportunity to get a decent price.

More recently the failure of its "poison pill" bid for Newman Tonks — which it argued was vital to its growth prospects — caused further loss of face.

Finally, although McKechnie may not be the bureaucratic monster once painted by Evered it has looked vulnerable to the generation gap argument.

Dr Jim Butler, McKechnie chairman, and Mr Leslie Milner, the finance director, are both clipping 60, and Dr Butler's laconic contempt for his thrusting young opponents may not have helped promote the image of imminent renaissance.

The Abdullah brothers — chairman and vice-chairman of Evered — have by contrast looked sleek and hungry. Evered appears to have taken its impressive road show to more institutions than McKechnie ad as one broker put it: "The sweat was running off them and it made them look good."

Their act has sharpened up since they were last making presentations on a possible bid for TI and they have done their research more thoroughly this time aided by the mysteriously ubiquitous Bain management consultants.

Dr Jim Butler (left), McKechnie's chief, with the Abdullah brothers, Raschid and Osman, chairman and vice-chairman, respectively, of Evered.

Although they have yet to prove they can manage substantial businesses, particularly through recession, the brothers have gone a long way towards allaying fears of flashy accounting particularly relating to the acquisition of Brockhouse in 1984. The head office management team also looks less threadbare than it did eight months ago.

And yet, few will predict more than a nail-biting finish on Monday. The successful defences by APV against Siebe and Woolworth against Dixons and talk of the end of the takeover boom has obviously not helped Evered.

However, both those defensive successes had particular causes and doubts about the long-term value of the mini-conglomerates, such as Evered, have been circulating for months and did not stop F. H. Tomkins winning Pegler-Hattersley — admittedly by a slimmer margin than originally expected.

No, the real reason for the narrowing of the gap has been an impressive late burst from McKechnie which has wisely placed the flip charts in the hands of the younger divisional directors and made some of Evered's claims look overstated.

Evered's attack has concentrated in three main areas: the poor performance of McKechnie's metals division, and especially the expensive reorganisation of IMI Rod and Wire and McKechnie Metals; the exaggerated McKechnie claims to have radically and successfully shifted emphasis from metals to plastic and consumer goods; and the general poverty of margins and sleepiness of management.

The McKechnie UK metals and chemicals division in 1985 made a profit of only £6.9m—less than 40 per cent of total pre-tax profit — on turnover of £139.2m, more than 60 per cent of turnover. The proportion of group turnover from metals alone has actually risen from 46 per cent in 1980 to 53 per cent in 1985 yet up until last year five out of the nine metals businesses were still loss-making.

The record is not impressive but McKechnie argues that it has been involved in a restructuring which will prove to be far less expensive than short, sharp, shut-downs with their attendant redundancy costs.

Evered concentrates fire on acquisition of IMI Rod and Wire for £6.5m in 1984 which is now to be merged with the McKechnie Metals site at Aldridge where another £7m is to be spent on reorganisation (following £3m in 1982).

It fails to point out that £5.5m of the IMI price covered stock which was immediately sold so McKechnie was in fact paying £1m for another 15 per cent of market share in rod extrusions. It now claims market leadership, a 50 per cent increase in productivity since 1982—and a 30 per cent return is expected from the latest Aldridge investment.

McKechnie, sensing the break-up of the conglomerate bandwagon with its perceived emphasis on short-term results, stresses the danger of the Evered commitment to review the £7m investment.

Similarly it boasts of the vision to invest £10m in the new plastics division in the teeth of recession and to continue investing in new products.

Plastics has been the McKechnie success story, although Evered is correct to point out that turnover has in fact slipped from 22 per cent of group total in 1980 to 21 per cent in 1985. Profits and margins have, however, risen from £0.7m and 3.5 per cent in 1981 to an estimated £5.1m and 12.1 per cent in 1986, contributing to a rise in earnings from the plastic and consumer goods division from under 20 per cent in 1980 to 49 per cent in 1986.

Evered is right to point to the far less impressive performance of consumer goods where Crayonne has seen margins slip badly. But it spoils its case by claiming that Harrison Drape, the curtain rail company, has slumped to 12 per cent market share. McKechnie produce independent figures to show it is 40 per cent.

The danger for McKechnie is that however strong the evidence of a growth revival (£24m profit estimated for 1986-87) the financial arithmetic will favour Evered (although its share price has been weak).

To counter that McKechnie says that the present offer is well under the equivalent price for recent plastics takeovers—a weak point in view of the dominant non-plastic businesses.

More telling is the fear that the imminent growth would not automatically be sustained (or added to) by Evered with its inexperience of running businesses of McKechnie's nature and scale.

Bonus schemes for middle managers (which in any case McKechnie claims to have had for years) and vague ideas about finding new markets in plastics is not enough.

Davy pleases City with £16m

Davy Corporation, the engineering and construction group, lifted pre-tax profits by 25 per cent from £13.05m to £16.33m in the year ended March 31 1986. This was better than City estimates of some £14m, and the shares closed 9p up at 121p yesterday.

The increased profits were partly due to higher efficiency and lower operating costs following further action to reduce costs. Some of the advance was also attributable to profit deriving from new activities initiated in recent years.

Turnover grew from £580.92m to £594.23m and the forward workload at March 31 1986 showed a 15 per cent improvement compared with last year.

Lord Jellicoe, the chairman, said yesterday that forecasting in the engineering and construction business in the current economic climate was bound to involve a good deal of uncertainty. However, he looked forward to further progress in the coming year.

In the light of the improved results, the final dividend is being raised to 3.7p (2.585p) making a total of 4.8p net, a 30 per cent increase over last year's 3.685p. Stated earnings per 25p share climbed from 10.5p to 12.7p, after tax of £4.31m (£3.17m).

At the net attributable level, profits were down from £10.43m to £6.53m. These reflected extraordinary charges of £5.5m (£0.55m credits) which comprised reorganisation, closure and disposal costs of £2.75m and a write down of vacant properties by £3.72m to estimated recoverable value, less the release of a provision for US pension costs of £0.97m.

During the year, redundancy costs of £4.3m were charged against trading profits.

Finance and other charges were reduced from £5.36m to £4.57m, mainly due to improved cash balances of £88m (£69m) which included the cash received from the US pension restructuring.

Lord Jellicoe, said further steps had been taken to provide for future growth. Several operations were acquired during the year and more recently in April 1986, Distington Engineering, formerly owned by BSC.

• comment

After a dismal set of interims analysts anticipated, at best, stable profits from Davy for the full year. When this set of results soared past expectations the City concluded that the years of cost cutting and restructuring had finally borne fruit and the shares surged by 9p to 121p yesterday. Davy's cost cutting days are over, in Europe at least, although there will be some further rationalisation in the troubled US divisions. Work in progress has increased by 15 per cent on the same period last year, yet pressure on margins is as intense as ever. Davy's solution has been to steer the company towards the high tech, niche markets which tended to be neglected in the pre-recessionary days of huge process plant contracts. The innovations in desulphurisation and continuous casting are encouraging portents for the future, as is its work on modernisation at the Port Talbot steel plant. The problems of recent years were rooted in the need to make the transition from the old days of large scale, low-tech contracts to the small scale, high tech contracts of today. After this set of results the City seems convinced that Davy has made the transition. Analysts anticipate continued growth in profits to £19m for 1986-87 producing a prospective p/e of 8.5 which seems slender on trading grounds alone, notwithstanding the prospect that Trafalgar House could sell its stake and clear the path for another predator.

Robertson Research up

DESPITE a decline in oil prices, **Robertson Research**, the international oil and minerals technical services group, raised pre-tax profits by 38 per cent from £2.7m to £3.73m for the year ended March 31, 1986.

The company said a number of cost saving measures had recently been introduced as a result of which administrative expense savings of over £1m in a full year had been affected. Cash position remained strong and it continued to seek further acquisition opportunities.

Turnover was £21.57m (£18.95m) and after-tax profits rose from £1.61m to £2.28m, giving earnings per 10p share of 9.3p (6.5p). A final dividend of 1.8p net makes a total for the year of 2.5p (2.1p adjusted).

The company said it remained in a sound position, with order books to support over 80 per cent of the current year's budget for UK petroleum related activities.

However, internationally, the group's petroleum related activities had felt the impact of the oil price decline and since the year end operations in the Americas had been rationalised.

The rationalisation had involved the retrenchment of the Houston office which would give rise to extraordinary costs in the current year.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alexander Russell ...	1.13	Aug 27	0.94	1.6	1.33
A. F. Bulgin ...	0.1	Sept 12	nil	0.1	0.58
Daejan Hldgs ...	9	Sept 8	8	14	13
Fitch Lovell ...	†7	Oct 1	6.7	10.6	9.7
Davy Corpn ...	3.7	Sept 15	2.59	4.8	3.69
Equity Consort ...ord	8.7	Aug 18	7.7	12.2	11.2
Lonrho ...2nd int	4	Oct 1	3.64*	—	10.91*
Mountleigh Group ...	†7	—	4.5	10	6.5
Normans Group ...	1	Oct 1	0.9	1.9	1.8
Robertson Research ...	1.8	Sept 10	1.5*	2.5	2.1*

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BOC denies boardroom shake-up

By Lionel Barber

BOC Group, the industrial gases and health care business, yesterday denied there had been a boardroom shake-up following the appointment of Mr Desmond O'Connell as group managing director for gases and health care.

A recent press article had speculated that Mr O'Connell's appointment could affect the position of Mr Richard Giordano, BOC's American-born chairman and chief executive. BOC described the article as "wholly inaccurate in every respect" yesterday.

But the article had prompted numerous phone calls from brokers and had led to a fall in BOC's share price this week from 306p on Monday to 298p yesterday.

BOC said Mr O'Connell's appointment was one step in an orderly long-term programme of succession planning which began a year ago.

Alex. Russell profits leap

Alexander Russell, the building supplies, quarrying and coal recovery group, almost doubled pre-tax profits from £955,000 to £1.85m for the year ended March 31 1986. Turnover climbed £6.61m to £28.93m.

Tax was £946,000 (£420,000) and earnings per 10p share came to 3.9p (2.3p) basic and 3.7p (2.3p) fully diluted. The final dividend is 1.13p for a net total of 1.6p (1.33p).

UK COMPANY NEWS

Terry Garrett looks at the SE launch of GT Management

A price for further expansion

ON MONDAY week fund management group, *GT Management*, will launch itself on the stock market with an offer for sale valuing the company at only a few million pounds short of £100m.

GT may lack the public profile of an issue such as Thames Television, where the £32m offer attracted over £870m and the price shot to a 28 per cent premium in frenzied first day dealing this week, or the imminent TV-am flotation. But it is highly regarded in the City as an aggressive well-run house and no stranger to the thousands of small investors who are invested in its unit and investment trusts.

Those small investors cannot be given any priority in the issue but all will be circulated with the details and many are expected to back the company which is currently ranking in the top slot in Planned Savings' performance tables.

GT's performance has not always been so impressive. The operation was founded by Mr Tom Griffin, chairman, and the now departed Mr Richard Thornton, both ex-Foreign & Colonial men, 17 years ago with the backing of Berry Trust, its first major customer.

Although the duo soon established a good reputation for overseas investment, particularly in the Far East, as GT expanded it became racked by management problems which affected the investment performance and resulted in the resignation of Mr Richard Thornton in 1983. It has taken time to restructure in the wake of his departure and if the timing of the offer for sale had been GT's alone it would not be making its debut now.

However, the difficulties that beset UK Provident, the life company which holds 29 per cent of Berry Trust and 6 per cent of GT in its own right, forced the issue along.

The obvious debate now within GT management and its advisors, brokers Cazenove and merchant bank Barings, centres in pricing. Indeed there is an outside chance that the issue will be a tender though Morgan Grenfell's price yesterday is not an encouraging precedent.

There is no shortage of fund management groups to compare with: Britannia Arrow, Framlington, Henderson Administration, Ivory & Sime, M & G, the new arrival Templeton and so on, but the most obvious comparison is perhaps with Henderson which floated three years ago.

"It may be the closest but we are very different" according to Mr Mark St Giles, joint managing director. "We are where Henderson would like to be in five years' time. It is basically a domestic-based unit trust company onto which a successful pensions business has been grafted."

"Henderson is trying to build an international operation while GT started internationally and is now building back into the UK."

While far from decrying Henderson's development GT is adamant that it is a different business to anything the UK investor has on offer at the moment. Yet Henderson and GT appear to be heading roughly towards the same target but from opposite ends of the globe and that will count for something when it comes to pricing the offer.

Berry Trust has already made it clear that it will sell about half its stake, about 13 per cent of the enlarged capital. GT will raise something getting on for £10m, another 10 per cent, and a couple of investment trust holders will pitch out a couple of percentage points.

The position of UKPI's 6 per cent stake is not yet decided but some of that could easily form

Assuming the equity base is fully diluted for share options that could add a fifth to the capital, GT is likely to float on a historic p/e of around 17 to 18; very similar to Henderson's, based on last year's profit of just over £7m pre-tax.

One criticism that could be fired GT's way, according to Mr Robert Boyd, the other joint managing director, is its high cost base compared to other UK houses. "We have a cost structure in place to be a true international player. We have deliberately built that overhead because long term the competition will come from the likes of Morgan Stanley and Goldman Sachs."

"We don't need a lot more cost to do a lot more business. We will make that overhead sweat" says Mr St Giles.

And the float does give GT the opportunity to accelerate its expansion plans. The £10m or so it will raise will soon go: there are four definable areas that can soak up cash.

- GT is probably twelve months away from the point it can set up a domestic Japanese fund management company to run Japanese money in Japan in competition with affiliates of the big houses such as Diawa and Nomura. That could require £2m to £3½m of capital to establish.
- GT needs a "global computer system" and even the £3½m Mr St Giles suggests is pin money by the standards of some of the bigger players.
- The US mutual fund market has something less than 2 per cent of assets in international funds, excluding money funds, and is ripe for further overseas exposure. GT intends to be up there flogging its international expertise for all it is worth.
- Closer to home GT already has close connections with European institutional investors but spies growing opportunities to aim at the retail investor market. The thought of selling equities to the Germans has Mr St Giles beaming but it costs money to be taken seriously—perhaps £2m of capital in Germany for example.

Apart from specific projects, raising capital adds to the fire power. "Bear markets are not deinvented" argues Mr Boyd. "You want to have the resources to weather declines."

"And if there is a pause in the markets there will be people without money," chips in Mr St Giles. "Great opportunities for us to acquire small complementary businesses. But no paper chases."

Yet for the moment getting next Monday's pricing right is what counts.

Mr Mark St Giles (left) and Mr Robert Boyd, joint managing directors of GT Management.

Dispute at Bremner takes surprise turn

BY CHARLES BATCHELOR

THE COLOURFUL and highly public row between Mr James Rowland-Jones, chairman of Bremner, the Glasgow store group, and two of the company's former directors took a surprise turn at yesterday's shareholders' meeting.

Mr Rowland-Jones, a veteran of corporate power struggles and the author of some unusually entertaining chairmen's statements, called for a 29-day adjournment, to August 1, on a vote which would have confirmed him in office.

He called the adjournment "in view of the way some people will vote, and to put the present board in a better position to carry out the investigations we have started."

The dispute at Bremner emerged publicly last month when Mr Rowland-Jones gave readers of his annual report an unusually vivid and detailed account of how Mr Michael Black, the former chairman, and Mr Lionel Casper, another former director, had allegedly caused Bremner's £1.03m loss last year.

Mr Rowland-Jones claimed the hurried closure of much of Bremner's store space, before planning permission had been obtained; and unwise attempts at diversification had caused much of the losses. Mr Black has responded with letters to shareholders attacking Mr Rowland-Jones' management style.

The 30 or so Bremner shareholders who turned up in the Halle suite of Manchester's Grand Hotel were spared the drama Mr Rowland-Jones clearly thought might happen.

Mr Black and Mr Casper, both ousted by Mr Rowland-Jones in a boardroom coup in April, did not turn up.

Mr Black was represented by his lawyer, Mr Philip Rodney, of Glasgow solicitors Alexander Stone, who hinted Mr Black might challenge the way Mr Rowland-Jones had used proxies lodged with him. Mr Rowland-Jones used favourable proxies in the adjournment vote but abstained on proxies opposed to him.

Last-minute uncertainty over how one large proxy holder planned to vote was apparently behind Mr Rowland-Jones' decision to delay the vote on the confirmation of his own appointment as chairman and of the appointment of two other directors.

Shandwick makes two purchases

Shandwick, USM-quoted public relations consultancy, yesterday announced proposals to acquire two smaller consultancies, the John Fowler Group and Vernon East, for £542,500 and £211,612 respectively in shares.

John Fowler, a regional consultancy, produced pre-tax profits of £50,704 in 1985. It will function as an independent consultancy.

Vernon East is a London-based consultancy specialising in consumer public relations.

Heath calls for probe following share price fall

BY JOHN MOORE

A FORMAL investigation by the Stock Exchange into the share price movements of C. E. Heath, one of Britain's largest insurance brokers, has been requested by Mr Derek Newton, chairman of Heath. His request came after a recent sharp fall in the price, amid speculation that the group was having troubles.

Mr Newton indicated his moves at yesterday's annual meeting responding to speculation at the meeting.

Ahead of the meeting representatives of a small shareholder, Mr Timothy L. R. Holland, with an address in Cadiz, Spain, distributed a letter he had sent to Mr Newton raising a series of questions. But Mr Holland, who acquired shares recently was not present.

Mr Newton explained that the speculation centred on litigation involving the disposal of a group subsidiary, Motolease, the interests of directors and a writ against the Pinnacle reinsurance subsidiary.

In March 1982, Heath disposed of Motolease as it no longer fitted into its plans. Consideration was £6m in loan stock redeemable on December 31 1985, which Heath asked to be collaterised.

"The purchasers produced a company called Ceram Holdings, based in Gibraltar, to guarantee the redemption of the loan stock in full at the due date.

"Ceram then supported their guarantee with just over £4m which was deposited into a joint account with a subsidiary of one of the big four UK clearing banks." Heath had a fixed charge over that account together with any interest, which now amounts to more than £6m.

He added: "On 22nd October we received a letter from Ceram, signed by a Mr T. L. R. Holland as director, contesting the legal validity of the transaction and indicating that Ceram did not intend to honour the guarantee."

Heath was taking legal action against Ceram.

Commenting on the interests of directors Mr Newton said that in the late 1970s the board had examined a variety of tax avoidance schemes. As it was felt to be vital to shareholders to ensure that all methods of remuneration were considered to ensure that all methods of remuneration were considered to safeguard the continued retention and motivation of senior executives.

One scheme, supported by tax counsel, known as "Irish gilts" was entered into. Heath was advised by its auditors that it was neither a proper or a tax effective scheme. "We immediately arranged for the scheme to be cancelled."

To help directors who had anticipated benefits other arrangements were made in connection with the acquisition by the company of 40 per cent of the ordinary shares of Motolease.

Since this assistance was provided by a company not owned by the group, but administered by one of the world's largest banks, it was considered at the time unnecessary to disclose such arrangements in the report and accounts, Mr Newton said.

"With the benefit of hindsight this scheme proved to be ill-advised," he said. Directors involved had since repaid any amounts they had gained to Heath with interest. The Inland Revenue had no further claims against any of the directors.

The shares closed at 552p, up 12p on the day.

Meadow Farm

Meadow Farm Produce, which last month made an offer for North Devon Meat, said yesterday that it was considering at least matching the terms of the agreed £3.1m offer from Hillsdown Holdings, which was announced earlier this week.

Harold Ingram

Reacting to a strong rise in the share price, up another 20p to 200p yesterday, the directors of **Harold Ingram** have put out a statement saying that the company is not currently in negotiation for any acquisition, although they are actively seeking opportunities.

BAT disposals

BAT Industries plans to sell 18 stores in Oregon and Washington for an undisclosed sum to a Seattle-based group of investors. It also anticipates to shortly conclude the disposal of two New York properties.

UK COMPANY NEWS

Richard Tomkins looks at Britain's independent computer leasing companies

Respectability is still a long way off

THE REASSURING statement put out by United Leasing, the computer leasing company, when its interim profits fell from £2m to £1m last December turned out to be just the sort of hostage to fortune that company chairmen dread.

"We are currently experiencing the highest levels of customer demand for our products and services in our group's history," Mr Parry Mitchell, United's chairman, told shareholders.

"I have no doubt in saying to you that not only will our year-end results meet expectations, but that the high growth traditionally associated with United Leasing will continue."

By the beginning of this week the company's credibility was dwindling fast. Its shares had slid from 283p at the beginning of June to 155p amid rumours that these promises were not going to be fulfilled and Mr Mitchell was obliged to end the speculation by putting out a forecast of between £4.25m and £4.5m for the year to March—a figure comparing with £5.3m for the previous year and the £7m to £7.5m which had been widely predicted six months earlier.

For the computer leasing sector, the news could hardly have come at a worse time. Only four weeks ago IBL, another big player in the sector which came to the market in June last year, shocked the City by reporting a downturn in profits from £7.5m to £6m for the year to December—exactly half the figure which had been expected.

The effect of this double blow has been to undermine confidence in computer leasing companies to the point where the respectability they crave seems likely to elude them for a long time to come.

There are five companies in the sector: United Leasing, IBL, Atlantic Computers, Dataserv and Compac. All are active to a greater or lesser extent in leasing IBM mainframe computers and peripherals to end-users on an international scale.

The City's confidence in these companies had been thin enough even before these two recent episodes, mainly because of the unusual way in which they account for their profits.

Competition among computer suppliers can be tough and lessors frequently win market share by cutting terms so fine that little opportunity for profit on the lease itself remains. Instead, they make their money out of what they can get for the equipment when it reverts to them at the expiry of the lease—either by letting it out to another customer or by selling it in the international marketplace.

To varying degrees, the profits which the computer leasing companies take in on the residual value of this equipment are based not on the actual value of the equipment as it is realised but on the estimated future residual value of equipment as it goes out on lease.

Although on the face of it a dubious practice, the theory is not wildly different from the concept of depreciation. The difference is that computer leasing companies are dealing with a highly volatile asset whose value is dependent on IBM's pricing policy. Unexpected price cuts or the launch of new products hits the value of second-hand equipment, and the profits performance of computer lessors can therefore hang crucially on their skill in anticipating IBM's plans.

Ironically, the troubles which have afflicted IBL and United Leasing are unconnected with this central issue of concern. IBL's downturn was primarily caused by heavy losses in France, where local management apparently took on large volumes of unprofitable business undetected by the main board. United blamed a hiatus in US deliveries caused by a backlog of orders which built up after IBM's February price cuts.

From the City's point of view, however, its worst suspicions about the unreliability of computer leasing companies were confirmed. United has recovered a little from its low of 155p to 180p in the hope that this year will produce a recovery, but IBL is still down at 82p against its offer price of 140p a year ago.

Atlantic Computers, the company most akin to IBL and United in terms of products and markets, has been tarred with the same brush and is off 40p from its high of 295p in March. Even Dataserv, these days more of a computer maintenance company than a lessor, is off 37p from its March high of 200p.

The least affected so far has been Comcap, which enjoys the reputation of having the most conservative accounting policies of the five and which has also diversified to the point where it is increasingly perceived as a property developer and financial services group. But Comcap, too, is off 18p from its high of 348p in May.

The question now is whether the sector's future performance will enable it to shake off its present blighted image. Turnover growth alone suggests that the odds are stacked in their favour if they can keep their high operational gearing under control.

Mr Derek Bainbridge, an analyst at brokers Rowe & Pitman, Mullens, remarks that the flexibility of computer leasing companies is eminently well suited to the rapidly changing demands of the automated office. "The intellectual argument is still there and the revenue growth is still there. The trouble is that high operational gearing has made the profits highly unpredictable and we are just not seeing them come through."

A further difficulty is that computer leasing is a cash sponge which requires money up front in the expectation of long-term rewards. Diversification into cash-generating businesses is a panacea to which all the computer lessors have resorted, but equity financing is still an essential element of their ability to expand: and with share prices depressed to current levels, the penalty at the bottom line makes recourse to rights issues unattractive to lessors and investors alike.

This is not to say that the sector is by any means a dead duck yet, but it could go to sleep for a while. As Mr Roger Hardman, an analyst at brokers James Capel, points out: "It is going to be a very, very brave fund manager who is going to be happy to see a computer leasing share in his portfolio from now on."

PERFORMANCE OF UK COMPUTER LEASING COMPANIES

	1985 Turnover £m	1985 Profit £m	1984 Turnover £m	1984 Profit £m	Year-end
Atlantic Computers	183.1	17.1	96.1	10.5	Dec
Comcap	53.7	5.2	33.6	2.9	Dec
Dataserv	139	6	101.1	3.5	Dec
IBL	243.2	6	153.2	7.5	Dec
United Leasing	n/a	4.5 (forecast)	176.3	5.3	March (1986)

Record profits for Daejan

Daejan Holdings, property investment trading group, reported record pre-tax profits 13 per cent higher at £14.96m against £13.26m for the year to March 31 1986. The total dividend is being raised from 13p to 14p with a recommended final payment up from 8p to 9p.

Rents and charges received, less property outgoings, were £8.51m (£7.91m) with surplus on sale of properties and other income adding £11.09m (£10.63m).

Net financing and other charges were £4.64m (£5.28m). Tax was £6.97m (£5.44m), extraordinary item and minorities took £26,000 (£14,000) and after transfer to other reserves of £28,000 (£32,000) and dividends of £2.28m (£2.12m) retained earnings came out at £5.7m, against £5.68m.

Elswick puts brake on losses

Elswick-Hopper, the loss-making light engineering group, yesterday said that it had made steady progress towards full recovery in the 1985-86 year, and added that the lowering of interest rates in recent months would speed the process of recovery.

The company, which proposes to shorten its name to Elswick, last recorded an annual pre-tax profit in 1980-81. But the latest figures show a return to profit in the second half and a sharp reduction in losses for the year to end-January 1986 from £961,000 to £186,000.

Mr H. W. Cross, executive chairman of this maker and distributor of bicycle, agricultural equipment and specialised engineering products, said the progress made was "in spite of generally adverse conditions in most of its markets and of prevailing high interest rates."

He added that "encouraging progress was made by the engineering and agricultural divisions, but the cycles division again made a loss (£288,000 against £471,000) due to the virtual collapse of the cycles market in the UK to a level 30 per cent lower than that of 1984."

This severe downturn, he said, had the double effect of delaying the division's return to profit and the clearance of excessive cycle stocks carried over from 1984.

Interest charges of £858,000 (£662,000) completely overturned operating profits of £672,000 (losses £299,000).

Engineering made profits of £711,000 (£48,000) and agricultural operations made £542,000 (£446,000). Group sales were £28m (£29.38m).

There were again extraordinary debits — up £70,000 to £265,000—leaving the attributable deficit just below £500,000 (£1.16m). The last ordinary dividend was paid in 1983.

The company plans to introduce a savings related share options scheme.

Mountleigh advances to £9m

Mountleigh Group reported a year of outstanding success in the 12 months to the end of April 1986. And the board was confident that the group would continue to yield excellent progress, adding that trading activities had continued to yield excellent results.

Property sales and rental income totalled £42.39m against £20.37m, and taxable profits came out much higher at £9.23m (£2.53m). A final dividend of 7p is being proposed, up from 4.5p last time, to give a total payment of 10p (6.5p), on capital increased by the placing and rights issue during the year.

Earnings per share came out at 77.67p (35.53p) basic and 62.26p (35.31p) fully diluted. Assets per share at the year end were 548.79p (358.57p) basic and 511.38p (350.33p) diluted.

Last month the group acquired a portfolio of properties for £57.8m, mainly in London and the south. Of the cost, £8.35m is being raised by a vendor placing of 1.06m shares.

Directors of the West Yorkshire-based company, said that most of the portfolio would be traded but they intended to retain for investment properties worth £8.7m.

They added that they would continue to seek trading opportunities while building the investment portfolio. The group was also pursuing development possibilities, particularly retail and leisure parks.

Metals Ex claims 45% of Hampton

AS A result of its bid for Hampton Gold Mining Areas, Australia's Metals Exploration —a member of the Alan Bond group— said it had acquired, or had received bid acceptances for, 44.84 per cent of Hampton Areas' shares.

In addition, recent purchases of a further 13.08 per cent are waiting completion of settlement procedures.

Metals Exploration expected the procedures to be completed by next Monday so as to enable the increased offer of 150p per share to be declared unconditional on that day. Meanwhile, the offer has been extended to July 16.

The offer will not be referred to the Monopolies and Mergers Commission.

Hampton Areas directors said shareholders would be advised fully and in good time before July 16. In the meantime those who had not accepted the bid were advised to take no action.

Fashion and General

Fashion and General Investment increased its pre-tax revenue from £371,225 to £653,401 in the year to March 31 1986. This investment holding company is to increase its final dividend from 9.8p to 17p net for a substantially higher total of 27p compared with 15.8p.

Shield to join USM valued at £5.8m

By Richard Tomkins

The Shield Group, a London property developer, is joining the Unlisted Securities Market through a placing by brokers Capel-Cure Myers which will give it a capitalisation of £5.8m.

The company specialises in converting houses into up-market residential flats in north London areas such as Hampstead and St John's Wood. More recently it has started building properties on vacant plots, but it subcontracts construction work to other companies.

Founded in 1982 by Mr Norman Mazure, then a practising solicitor, the company's profits have grown from £4,000 in 1983 to £631,000 in the year to last March.

Some 1.2m shares are being placed at 72p a share, producing an historic price/earnings multiple of 10.6 after a 26 per cent tax charge. All the shares being placed are new shares issued by the company to raise about £700,000 after expenses.

Shield believes there is considerable scope for growth in the luxury residential market. It says the increase in its capital base and the enhanced status arising from the flotation will improve its ability to attract financial backing for larger projects.

London and Northern

London and Northern, the industrial holding company, is to sell its concrete brick and brick subsidiary Edenhall Concrete Products, to Boral UK, a subsidiary of Boral of Sydney, Australia, in a deal worth £7.9m. Edenhall's net assets at December 31 1985 amounted to £1.97m and it made a pre-tax loss of £293,000 for the previous 12 months.

FINANCIAL TIMES SURVEY

Friday July 4 1986

Office Property

Rents are rising across Europe as the recession fades from major office centres, while demand in the US seems healthy. But the influences of obsolescence, technology and new locations on markets have yet to be clarified

Demand returns to health

By William Cochrane

IT WOULD he easy to plead confusion abnut the state of the office property market tbis year. Much has tn he decided: about location, and building type; about obsolescence, which seems a bigger prnblem for offices than other sectors of the commercial property scene; and abnut the influence of nffice technology.

Hnwever, the central fact is that occupier demand is healthy. In Britain, agents Debenham Tewson & Chinnocks's latest survey of the office sector found rents rising faster than local authority rates for the first time since 1978.

Central London is in the forefront, but DT & C comment: "The depression which had a wide grip on the UK office market two to three years earlier now appears confined to a rump of centres in the north."

In Europe, Knigbt Frank & Rutley have recently claimed a record rent in Paris; Weatherall Green & Smith are predicting strong retail growtb performance in Germany in 1987 and nearly everyone is pointing to the recovery in the once drastically overbuilt Brussels office market.

This could he a pointer for the US, where Richard Ellis in their June 1986 US property report highlighted overbuilding and office markets vacancies of hetween 12 and 25 per cent. Other statistics, however, show that the underlying occupier demand in the US seems healthy; and Richard Ellis, certainly, are using the hiatus to suggest counter-cyclical investment in carefully selected locations.

In the UK it is expected that the location argument will loom larger for the occupier now that the Government has agreed to put the Property Advisory Group's report into practice with propnsals for updating the Town and Country Planning (Use Classes) Order 1972.

The key proposal for the office market is that wbich will permit a light industrial building to be used for research and development, or office properties. There is, in effect, going to be a new business class; and a company will he able to choose, for example, whetber it wants to go into the centre of Reading with all the congestion, delay and parking problems involved, or whetber it wants a campus office on the peripbery, right on a motorway, in parkland, with any amount of parking.

Heavyweights in property development consider this one of the most radical, and significant moves in the property industry for decades.

The developers, meanwhile, will have to look to their laurels. American hankers J. P. Morgan recently left developer competition breathless and, apparently, some way behind with their £90m-plus bid for the City of London schools site between Fleet Street and the Embankment.

Money is costing less to borrow, yields on investment property are rising and occupiers' requirements are costing so much more — on top of the "shell and core" construction coming into favour with modern developers — that owner occupation is hecoming more attractive.

The buildings themselves are also looking hetter. When the Blue Circle Group, Britain's biggest cement maker, decided to decentralise its headquarters from central London to the village setting of Aldermaston in Berkshire, the new £12m Portland House had to be built substantially in concrete.

Designer Dick Scott produced attractive finishes by the use of natural materials in tbe form of aggregates and the build'g, project-managed by Alan Massey of PMI, is a visual delight. The savings in administrative costs resulting from the move are estimated at 40 per cent.

Elsewhere, observers report an enigma in the investment market. In the hot spots outside London, Herring Son and Daw report a divergence of office investment philosophy in the prime office areas of the Western Corridor.

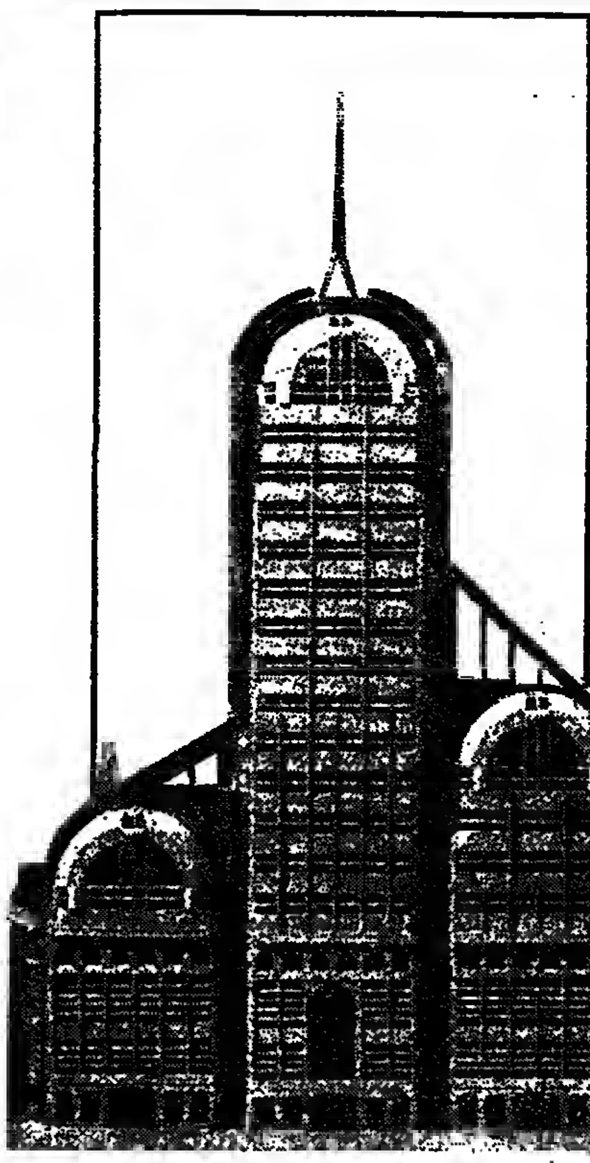
There is strong tenant demand for office accommodation which has pushed up rents in areas such as Windsor, Reading, Bracknell and Maidenhead but at the same time a corresponding rise in yields has taken place, they say.

The change in the office investment market since Christmas has heen dramatic, say the firm, whose investment partner, Martin Eyre, comments: "Period and smaller buildings in prime locations are still selling to institutions and owner occupiers.

"On the other hand there is no reported evidence of an office investment of more than £5m outside Central London changing hands at less than 8 per cent since we sold Powell Duffryn House in Bracknell for £6.6m, showing 6 per cent."

A lot of the offices which are performing hadly as investments were designed in the 1970s, when developers still behaved as if they just had to throw up a building and wait for the tenants to come rolling in. These buildings are facing early obsolescence.

Today's developers say they are doing much better. It will be instructive to see how they measure up in the early 1990s.



Set for take-off? Barclays Bank is proposing to demolish its Lombard Street headquarters in the City of London to build this 500,000 sq ft headquarters designed by GMW to meet growing technological needs

CONTENTS

International overview

Transatlantic size gap

TEXAS is not as insular as it was. From Hnuston, the real estate service group called The Office Network this year upgraded its US office market report to also cover, Canada, Austria, the UK, the Netherlands and West Germany.

The report surveyed more than 47,000 multi-tenanted office buildings. Aproximately 34,000 were in European cities, while more than 12,800 were in the US and more than 400 were in Toronto.

The first thing it saw was a majnr difference in the size of huildings when it moved across the Atlantic. Tbe North American buildings, it said, represent more than 1.6bn sq ft for an average huilding size of approximately 125,000 sq ft. The European buildings account for 551.4m sq ft, averaging just over 16,000 sq ft per building.

The survey is hroadly based, covering construction, vacancy rates, absorption, rental rates, and major relocations. In Europe it covered Amsterdam, Cologne, Dusseldorf, Frankfurt, Hamburg, London, Munich and Vienna — but missed out Paris and Brussels.

Space under construction stood at 176m sq ft in the surveyed markets and North America accounted for 158.5m sq ft of that. Washington DC is the international leader with 22.8m sq ft under way.

Other markets with large amounts of construction were Dallas (18.9m sq ft), Manhattan (18.4m), Chicago (17m) and Los Angeles (16.1m). London's 6.7m sq ft was far and away the top figure for Europe.

Tbe report notes that European cities, hy and large, have little or no available land for new buildings in their central business districts. This affects vacancy rates — 2.8 per cent in the average Europen CBD against a market average of 4.8 per cent.

The overbuilt US markets show a total vacancy rate of 16.9 per cent and the report anticipates continned softness as completed cnnstruction and available existing space are expected to outstrip demand during 1986. It says that one promising note for US markets is that the amount of uncommitted space under construction decreased by 6.8 per cent during the last half of 1985.

Toronto, Canada's strongest office market, is experiencing a total market vacancy rate of 13.8 per cent. Though lower than the US level it is likely to increase during the next year says the report as the current wave of construction is added to existing supply.

A number of observers of the American scene have commented that most cities have healthy letting markets: they just do not have the capacity to ahsorb a construction hoom led hy investnrs who put tax breaks ahove tenancy prospects.

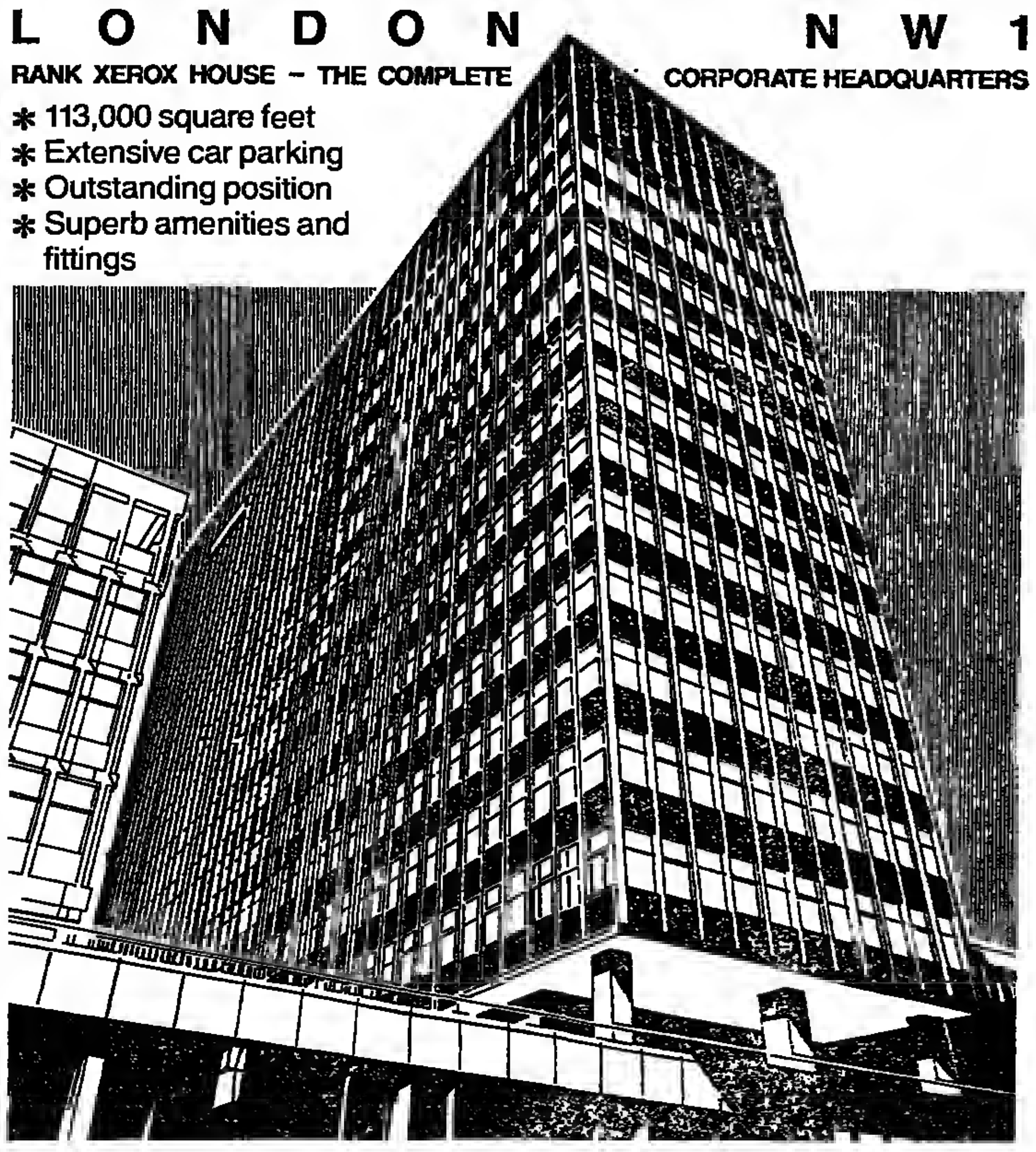
So the report confirms tbat in the US, in spite of soft spots in Houston and San Francisco, absorption of space in 1985 was 71.5m sq ft, up slightly from the previous year's 71.2m. However, London was the top city with 11.6m sq ft absorhed in anticipation of this October's "Big Bang."

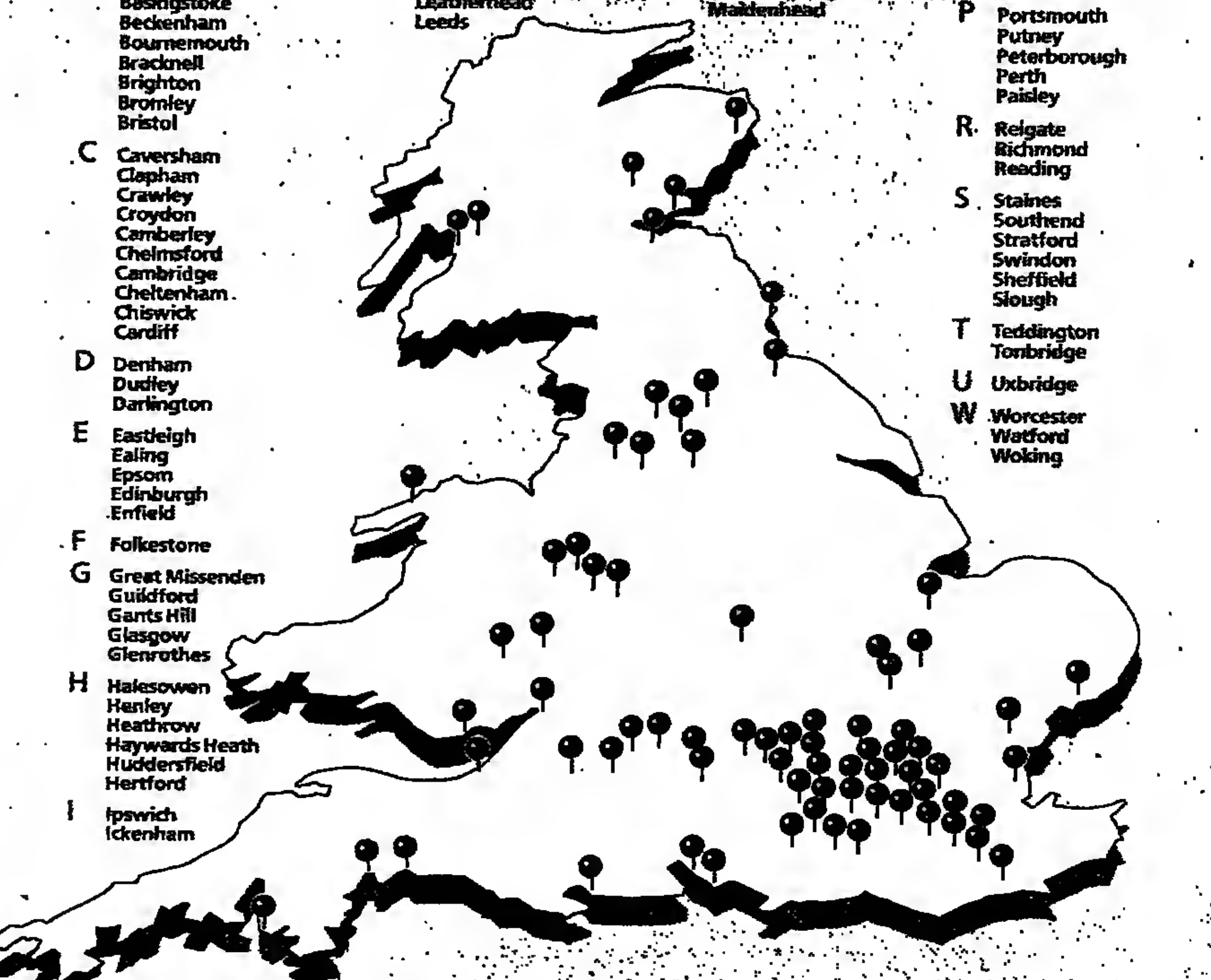
The report confirms that it costs more to occupy office space in London than in any of the other surveyed markets. Other European cities tend to have lower rental rates than most of tbeir North American counterparts.

In the US, the average quoted rental rate has increased hy 6 per cent during the last year, primarily due to completed construction being added to the existing market. The average rate has more than douhled since 1977 and has increased faster than the Consumer Price Index.

However, the report notes that effective rental rates in the US are often significantly lower than quoted rates "due to concessions caused by the ahundance of available space in most markets."

William Cochrane





Letting & investment

Rents perform well but sector loses favour

OFFICE rents have performed well lately, but the sub-sector is out of fashion as a home for institutional investment. Various aspects of this are picked up in three research reports issued recently.

The first annual review of the Investment Property Databank, the independent research body launched by economist Mr Rupert Nabarro, said that office rents during 1985 increased significantly faster than those of the retail and industrial sectors.

However, IPD also noted that offices have fallen out of fashion as an investment. They were favoured in the mid-1970s, but by 1985 only 57 per cent of new purchases were in the retail sector and the majority of sales were offices.

Rental growth has been patchy. The Investors Chronicle/Hillier Parker rent index highlighted a 20.7 per cent growth rate for offices on the City of London fringes in the 12 months to May. The City core and the West End also performed well. However, rental growth outside London had generally been "sluggish."

Debenham Tewson & Chinnocks, with five other firms of agents — Chestertons, Cluttons, Drivers Jonas, Savills and Weatherall Green & Smith — clubbed together to fund the IPD research. However, DT & C also have a team of their own under Peter Evans, which took a slightly more sanguine attitude than the ICHP team to office performance.

In 40 centres surveyed, rents had increased by 6 per cent over the previous year, slightly ahead of inflation over the 12 months to early 1986. The rate of growth had slowed slightly since 1985, but the firm said this reflected a levelling from the "catch-up" increases of 1985 to a more consistent growth trend.

"The depression which had a wide grip on the UK office market two or three years ago now appears confined to a rump of centres in the north," they said.

So why the poor investment performance? It could be that rents are better than they were, but are not generally putting up an exciting performance, while the risks have been emphasised in public.

Some strong opinions came earlier this year from Matthew Oakeshott, the one-man property ginger group who left Courtaulds Pension Fund to set up Aubrey Investments.

"Looking out over the longer term and into the 1990s there may be growing upward pressure on yields and downward pressure on capital values for most traditional office investments," he said.

"Why do most pension funds and insurance companies have half to two-thirds of their property portfolio in offices? Neither the record of rental growth, nor the reality of having to allow vast sums for depreciation and virtual rebuilding appear to justify so heavy a concentration in the office sector.

"High obsolescence and low tenant demand may exert a long term double squeeze on values, particularly of the larger office blocks built in the development waves of the 1960s and 1970s which represent a high proportion of many institutions' and property companies' office portfolios."

Looking further ahead, Mr Oakeshott predicted that both tenant and investment demand for traditional, particularly large, office blocks in city centres and the main London suburbs will continue to decline.

"Many, perhaps most, of the offices developed by institutions and property companies in the 1960s and 1970s outside the very best positions in the City and West End will have become as obsolete and worthless as Victorian multi-storey mills in a quarter of the time it has taken them to die," he said.

Mr Oakeshott's remarks about obsolescence heralded, by a few months, the publication of a research report by the Centre for Advanced Land Use Studies (Calus) on depreciation in property values, published by the College of Estate Management at the end of May.

This study discovered — or confirmed for some observers — that commercial property depreciates far more rapidly than allowed by conventional wisdom. The peak rate of depreciation emerges between the 5th and 10th year of life. A typical 20-year-old building is *worth no more than 35 per cent* of its modern equivalent.

Interviews with investors revealed that, out of all the various property types, it is offices which generally cause the greatest concern in terms of building depreciation.

The report's author, Francis Salway, said that the high content of mechanical and engineering services in office buildings was picked out by a number of those interviewed. They reasoned that plant, as distinct from buildings, only has a short/medium life span, and that there has recently been rapid technological progress in services, creating early obsolescence. It was anticipated that this trend would continue.

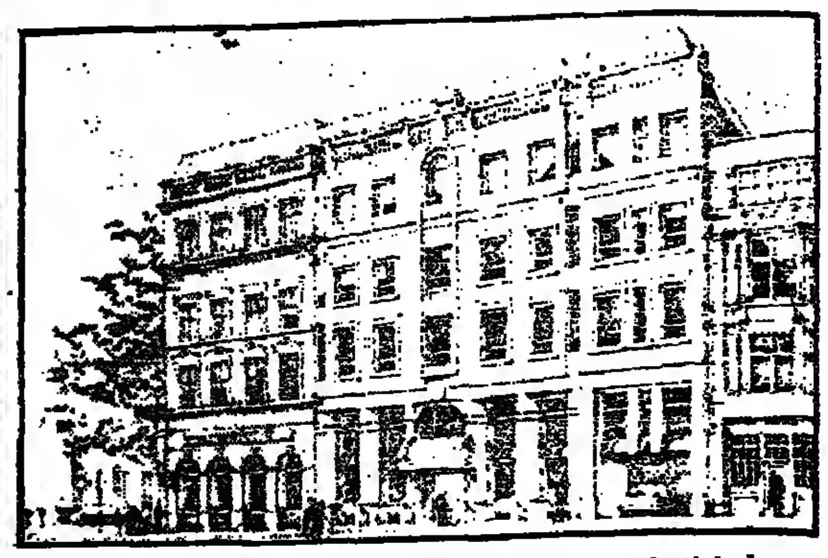
Offices in central London, he said, were a class apart in terms of their low exposure to problems of building depreciation. High land values in central London make it relatively inexpensive for the investor to counteract any problems of obsolescence.

High rise buildings were picked out by one or two investors as being particularly problematic. Buildings like these generally have a high content of mechanical and electrical services, and the alternative or improvement tends to be extremely costly, said the Calus report.

However, period office buildings were seen by some investors as relatively immune from problems of depreciation. Occupants often accept that they will not enjoy the benefits of all the latest technology, so obsolescence is a less material factor.

The attractions of a period building and its contribution to corporate image, it said, remain largely untarnished by the passing of time. *Finally*, and *in* theory, most if not all of future building works will comprise repairs rather than improvements and so will be carried out by the tenant under his lease obligations.

William Cochrane



Modern low-rise like Crest's Nicholson 45 in Woking (left), contrasts with rebuilding behind facades, such as CEMP's St Martin's Lane scheme, often necessary in central London

Occupiers

Moving towards a better image

AFTER post-war phases in which developers and investing institutions seemed to determine the shape, content and location of commercial property, occupier power has had a phenomenal influence on development in the 1980s.

It started with recession, and the absence of the occupier from the letting markets in the first years of this decade. When the occupier did come back, it was *frequently an American* company which had been influenced by Silicon Valley or the infotech revolution.

The demands of the information technology revolution have crystallised in the City of London with the run up to October's "Big Bang"—the deregulation of the securities industry which has led to the agglomeration of massive, multi-discipline financial services companies.

Other companies, still based on high skills, have much less need for the urban location and have gone for the country life, with campus offices, frequently near motorways but in a pleasant environment, and with car parking on a ratio as high as one per employee.

Both types have shown themselves willing to do their own building if the developer would not, or could not provide. Falling interest rates and rising *property* yields have made this an increasingly attractive option.

Much more research, therefore, has been done by developers in recent years. Stuart Lipton, the urbane powerhouse who left Greycoat to pursue his own ideas three years ago, stands behind two major pieces of work by DEGW, the architects, space planners and research consultants.

DEGW produced research on Stockley Park, once thought of as an industrial location but more and more seen as a high-class campus. They also delivered for Rosebaugh Stanhope on the Broadgate redevelopment of Liverpool Street and Broad Street railway stations in the City of London.

Both of these developments look like being highly successful. However, they are also both in high-pressure areas.

Agents Healey & Baker saw the need for a national office survey, to find out from tenants for the first time what they as consumers required in terms of both office location and design in the mid-1980s.

The survey was undertaken with the aid of a detailed questionnaire containing more than 100 questions, on a person-to-person interview basis. More than 200 questionnaires were completed, with an intentional bias towards the South-East and an emphasis on the views of tenants who had moved in the last three or four years.

It turned out that getting a better image for the organisation was the single most important reason why office tenants move out of one building, and into another. Mr Angus McIntosh, head of research at H & B, put this factor ahead of others like communications, proximity to the market and working environment — and well ahead of fiscal/legal considerations like lease expiry and rent.

The firm found that image, or prestige of address, attracted 46 per cent of tenants for branch or regional offices, but only 6 per cent in the administration or back room category — presumably because back office staff frequently have little say in the sort of building they get.

The survey concluded that a building's functional abilities, in terms of its structure, shape and flexibility, are by far its most important design quality. H & B also said that car parking is more important than it has ever been; and that an average of 7.84 employees per car space is a major problem — when some employers calculate that over 70 per cent of their staff either drive, or would like to drive to work.

"The most revealing figure for the future of the office market was that 59 per cent of the respondents admitted that they had no room in their present building for future expansion, regardless of the building's ability to be flexible," said Mr McIntosh when the survey was published last April. The national office study anchored a new book from H & B entitled The Workplace Revolution.

H & B concluded that for town planners and all involved with office accommodation (both producers and consumers), its survey had highlighted some important factors.

"Location continues to be important for a number of reasons," they said. "The image of a particular address, communications, proximity to a tenant's customers and the availability of suitable staff dominate."

The innards of the building were frequently below expectations. On features like internal environmental control, H & B went further: "Our survey found that the designers of office buildings are failing to provide a reliable product.

"For many tenants a product at the right price influences their thinking. With an increasingly car-mobile population, if a tenant can find a better product which costs less and yet projects the right image, the message is that he is increasingly likely to move premises — particularly when one considers that so few tenants appear to have allowed for expansion within their existing buildings."

There are other considerations, some of which rated low scores in the survey, like good housing stock and leisure, recreation and the living environment.

These might repay further study. Both in Britain and in the US, there are intelligent developers who place emphasis on the study of surrounding residential property when siting commercial schemes.

Others acknowledge the importance of recreation. The inclusion of a golf course at Stockley Park, near Heathrow, is not just a planning gain for the local authority.

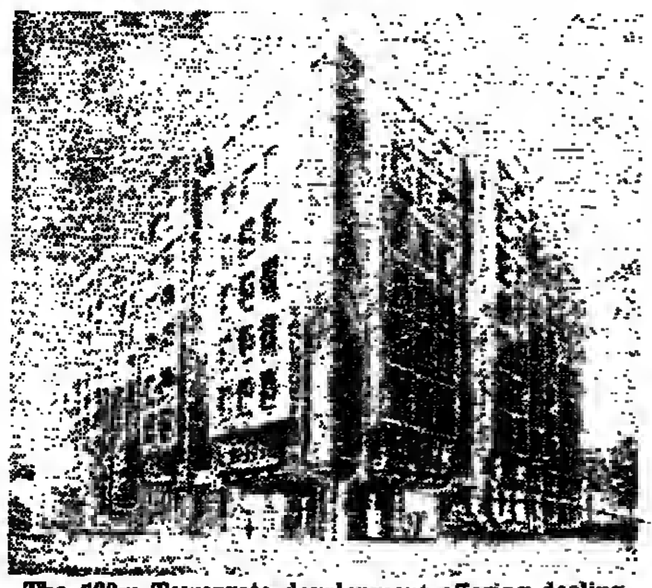
Environment has to count for something when a major building products group like Blue Circle takes a tranquil 137-acre country estate, complete with Victorian manor house, and puts in a showpiece headquarters building as it did at Aldermaston in Berkshire.

Private schools are also mentioned in this context as a more tacit consideration—along, say some agents resignedly, with the views of the chairman's wife.

William Cochrane

City of London

A champion twists some arms



The £60m Towergate development offering dealing *floors and generous car parking*

THE owner of one of the City of London's famous lunchtime bideaways was strongly rumoured recently to have taken a secret trip abroad to seek a little new inspiration. It was not Left Bank nouvelle cuisine he came back with, however, but big bank entertainment habits and an intimate knowledge of the cocktails and culinary preferences of Wall Street.

Monsieur Patron is gearing up for a US invasion—and he is *not* alone. Some forward-looking developers are also trying out new building recipes as an advance guard of American shock troops sweeps into the City, making strategic alliances in preparation for the deregulation of financial markets in barely three-months time—the Big Bang.

Big conglomerates headed up by the *US banks have little* interest in traditional London dishes such as rabbit-warren Victorian blocks or more modern glass towers. They demand layers of vast dealing floors, buried in wide, efficient structures and will only go for the local fare if nothing more palatable is immediately available.

Some would go a long way to get a good *whisky sour, reasons* our restaurateur. Perhaps as far as Salomon Brothers went outside the traditional limits of the City to find a suitable building over Victoria Station; or even a long trek like the one Morgan Stanley and Credit Suisse First Boston plan so they can build their own *little* 10m sq ft place at Canary Wharf in Docklands.

The invaders might be also throwing money around on their bourbon and steaks with as much abandon as J. P. Morgan, when it offered an astonishing £90m to blow away opposing bidders for a site near Blackfriars Bridge to create a Big Bang home-from-home.

In fact Mr Patron should stick with the game pie and plonk, as the revolution will be fought with British troops and a few American generals. But their *tactics have already been copied* by the UK top brass and have transformed the approach to property development in central London. There is no longer any question that big "financial factories" are needed to equip the City for its expanded role as a world centre. The pervading uncertainty as the *October* launch looms is how many.

Docklands versus City core *is* still an unsettled squabble, and Mr Charles Sanderson, City partner of Savills overseeing planning of Canary Wharf, sees a two-to-three-year "cobbling" period while main tenants shuffle around.

Meanwhile, the City is fighting back, fielding an unlikely ally to the property industry in the ebullient *Mr Peter Rees, its* chief planner. He boasts of knowing more about development than developers, twisting arms to ensure that large floorplate schemes were drawn up for sites such as the Daily Telegraph building and Malvern House near Southwark Bridge so the big banks (British and American) get the space they need *rather* than *some inferior,* quick-to-let stuff.

In case anyone wonders what is NOT required, he points out that account holders should realise the subsidies they are *paying* for that old-fashioned exclamation mark on the City skyline, the 30-storey NatWest Tower—a "useless" building designed for the "battery hen era."

This chivvying champion of the City arose after a draft plan for the future of the Square Mile drew howls of protest over its restrictive policies.

"It was designed to get up people's noses," says Mr Rees. No-one had bothered to mention any problems in the four years of consultative documents leading up to the plan.

Amendments to the draft suggest potential for between 10m and 20m sq ft of extra space in the City over the next decade by fiddling with plot-ratio restrictions, bridging over highways and clearing some obsolete post-war buildings.

Not everyone is convinced. Mr Geoffrey Wilson, head of City developer Greycoat, welcomes the change in attitude but fears the changes are still *not radical enough to meet the* almost unlimited demand for space if London follows the pattern set by New York.

Higher density development allowances will benefit the already booming City *fringes* but technical difficulties such as *need* for licences to build over roads and problems gaining vacant possession of older buildings for redevelopment are stumbling blocks to the planners' new enthusiasm, according to agents Debenham Tewson & Chinnocks.

But one of the main weapons *in the fight against an exodus* may be in the unlikely hands of the newspaper industry and British Rail. Ironically, the move to Docklands by newspapers is turning the western fringe of the City into a development zone as they release swathes of land. Mean*while,* BR is opening up the Snow Hill tunnel to enable fast trains through the City, aiding commuters and putting these sites within 30 minutes of Gatwick and Stansted international airports.

Perhaps Monsier Patron will soon be visiting Tokyo to explore.

David Lawson

Intelligent buildings

Smart way to stave off old age

PREMATURE old age or even *obsolescence is* a spectre that haunts many new office development in Britain or anywhere in the world.

The most *determined attempt* to avoid or at least forestall this *hardening of the pre-stressed* arteries and greying of the *facia hair* has been the rise of the smart or "intelligent" building, which was the American response to the Arab oil shocks of the early 1970s.

The high-tech cathedral of intelligent building in Britain is doubtless the new Lloyd's structure in the City of London. The financial heart of the country can afford to be, and has consistently been, the proving ground of new office design principles and concepts. But the question remains as to whether a market exists for such smart buildings outside the Square Mile.

By definition, a smart building is a structure with large uninterrupted floor area, with raised access floors, suspended ceiling, advanced heating and ventilation system, sophisticated microprocessor control of lighting and services and a high degree of *security.* A vital component is the high calibre of fitting out which guarantees unparalleled flexibility in floor plans.

Energy conservation, both in the quality of service equipment and subsequent heat prevention of unnecessary light/power loss are also hallmarks of the new intelligent building.

Glasgow has the site of one of the most advanced smart buildings outside central London the £30m Westergate development, 80,000 sq ft of office space.

DCI (Holdings), the Glasgow development group responsible for the project, admits that the market is very much on a learning curve and that many potential clients need to be educated as to what an intelligent building is and why an effective 25 per cent premium over other office rents is demanded.

Two of the most saleable *advantages* of *smart* buildings, according to DCI, are the potential 50 per cent savings in energy costs (spread over a 25-year period) and the boost to business efficiency inherent in a completely flexible floor *layout.*

No one knows what the future *office* requirements of the next two decades might be, but the logic is, the "intelligent" building will be better able to cope than most other existing office developments. It is very much a gamble.

That gamble has not been made easier by the plunge in oil prices and the less manic dedication to cutting energy costs in the past two years. It should be hard to sell a fuel-conscious development in times of cheaper electricity, but DCI found a ready tenant in British Telecom at £8 a sq ft.

Therein lies the nub of the potential market for intelligent offices. Industries, professions or companies that foresee rapid fundamental change *in* their short to medium-term futures (*Lloyd's insurance market* in a deregulated London financial *world or* newly privatised British Telecom in Glasgow) need *the security* of that extra life boat provided by highly sophisticated, computer controlled buildings.

DCI is confident enough about the prospects for intelligent buildings that it proceeded with a second development worth £33m called Northgate in central Glasgow. The *180,000* sq ft speculative building is purported to be the most advanced structure of its kind in Britain. Plans are afoot for a larger third development.

In West London, Taylor Woodrow has built what it calls "an imaginative yet very functional" office along the smart building principle: 163,000 sq ft of high quality office space called Overseas House.

"Quality of development is foremost" says Mr Nicholas Rivkin of agents Jones Lang Wootton "You no longer have to be in central London.

"Intelligent buildings have an innate *flexibility*," he says, "and for that extra £1 or so per *square foot rental*, you end up with more in the long term."

● Not everyone is so enthusiastic about building advances. "The concept of the intelligent building is a bit of a joke," says Mr Charles Sanderson of Savills.

"The computer industry has still not come up with a properly networked building.

"Only a major company prepared to be an owner-occupier could afford to build a *smart building outside* the City of London."

Paul Hannon

Multi-tenancies

Village atmosphere for minnows

THE INCREASING demand for small offices has spawned a host of options for developers and a *serious review of* traditional forms of tenure.

At one end of the *scale* are serviced office suites with a high turnover of clients in prestige locations while at the other are provincial office villages.

"Much of the demand for office villages comes from starter companies." Dr Fer Dijkstra, head of research at Knight Frank & Rutley says. "Although it is a fairly recent phenomenon surfacing generally in provincial locations, it *seems likely that* it will *grow in* proportion to the quality of the projects. The main advantages over a single multi-tenanted property is that individual companies manage to retain their own identity and exposure. They literally have their own front door."

An office village will normally consist of several units, seldom *exceeding 5,000 sq ft each with* individual occupiers. In many cases it is easier for a developer to secure planning permission (and subsequent tenants) for five units of 5,000 sq ft rather than one of 25,000 *sq* ft. Similarly if a planning authority were to reject a single 15,000 sq ft structure, there is a possibility that six 3,000 sq ft units would be acceptable.

The smaller scale nature of office development has an intrinsic appeal to planners for it does not wipe out the human scale of existing properties that the project might replace. For example, some office villages in London are grouped around a courtyard similar to the layout prevalent *in* the 18th and 19th centuries.

Herring Son and Daw are behind a four unit scheme ("Four Rivers") in Hertford developed by the Pilkington Pension Fund. John Higginbotham, agency partner, points out that "ideally, units are small —*500* to *2,000* sq ft and each self-contained with its own front door.

"This allows freedom to offer freeholds to the smaller professional firms who are often *enthusiastic to buy this type of* space with funding from their *own pension funds* and also reduces physical management problems."

The Hertford development, claims Mr Higginbotham, is evidence that there is a demand for this type of unit beyond the M25.

Dr Dijkstra of KFR suggests that as the demand for small units continues, the normal de*marcation lines between sectors* will become blurred.

"*Office villages* will grow in demand and probably in size and once they move out of town, we are looking at something akin to a business park."

If one stays in an urban location and reduces the minimum conditions of the leasehold, one encounters office suites.

Mr Mitchell Winter of Winter and Co estimates that some 500,000 sq ft of London office accommodation is dedicated to office *suites* or fully serviced short-term lettings in well known *locations.*

"Most of our clients are blue chip companies, but the range is immense — anything from ice cream to aerospace or oil. Some international clients want to step off a plane and into a fully serviced *office.*"

A typical plush suite in a central location would cost £15,000 per annum on a *quarterly renewal basis. This* sum would also provide phones, boardroom and secretarial facilities. More sophisticated (and expensive) office services such as facsimile transmission and telex are also available.

"The market has grown in the past five years and is now being taken more seriously by institutional investors," Mr Mitchell *says.*

Paul Hannon

Campuses

Warm welcome for an import

FEW *IMPORTED* building ideas have been as warmly welcomed in recent years as the office campus. US in origin, the campus concept first appeared in the UK about five years ago.

It has acted as a catalyst in UK property development, rekindling the decentralisation debate, reopening the "the role of the car" controversy and offering a wide range of design possibilities to planners and builders alike.

The trail-blazer of the campus movement *in Britain* has been London and Edinburgh Trust (LET), which developed Waterside Park in Bracknell. A two-storey complex of 105,000 sq ft with 385 car parking spaces, Waterside was a speculative project, quickly pre-let to Hewlett-Packhard, the US computer group, as its UK headquarters for computer diagnostics.

"The campus movement began *among the US high tech and* computer groups of the 1960s and 1970s," says Mr Nick Sheehan, director of LET. "So it is no surprise that Hewlett quickly realised the benefits of such a development in Britain. A fundamental difference between campus and non-campus projects is that they have been designed and built with the occupiers rather than institutional investors in mind.

"Five years ago the campus office was not taken seriously and institutional funds were not available. That has all changed now as other, non-high-tech *industries and professions* want the benefits and attractions of a *campus office,"* he *says.*

A typical campus will consist of several low-rise office units (seldom exceeding 100,000 sq ft *in total* area) with plenty of open space, car parking and amenities and facilities. Proxity to a key road network and a leafy setting are further hallmarks of the typical project. Innovative (or even bold) architectural designs are *increasingly acceptable since normal planning constraints* are less strong.

The LET campus was pre-let to one large occupier in one building. Projects *now* under construction emphasise a number of small, perhaps complimentary, businesses or professions that will move in on completion.

Land values have also been affected, with suitable sites near the Bracknell venture doubling in price over the past three years.

LET is planning a further three developments spread over 100 *acres,* while *industry* estimates of current floor area under construction in campus offices are 2m sq ft.

"Quality of environment is what people are looking for in a good campus — plus the possibility of a high degree of individuality in design and location," says Mr Malcolm Wilson, of Higgs and Hill.

The company *is* developing its first UK campus on the *Thames* riverfront at Kew in West London. Located near Kew Bridge, the first phase comprises two self-contained air-conditioned buildings of 9,350 and 15,000 sq ft. Car parking space is underground.

Work is also under way on the second phase of the project and when completed next *spring, it will increase* the *total* area to 60,000 sq ft.

"Buildings like these are not normally pre-let," says Mr Wilson. "But we expect to get between £15-£16 per square foot." This compares with current rentals of £13.50 in the neighbouring Richmond area and, closer to Heathrow Airport, £16 near Uxbridge or Slough. Bracknell was let at £10 per foot.

"The original purchase price of a suitable parcel of land is critical," according to Mr Wilson. "It can determine the number of units, the scale of development and the manner in which it is handled thereafter," he says.

Paul Hannon

Profile: Greycoat

Good fortune on the fringes

IT COMES as quite a shock to wander back through the financial records of the Greycoat Group and reach an abrupt halt a mere 10 years ago. The company exudes an aura of such size and solidity that it seems natural to assume that it grew up with that elite group of giants which almost monopolised town centre development in the fertile years of the post-war property booms.

The illusion of age comes from the sheer scale of its central London office activities. Developers usually start with small schemes, building a cash flow and track record they hope will win them the financial muscle to take on multi-million-pound projects. Institutional funders do not risk their money lightly.

Greycoat short-circuited the process by specialising in big, awkward sites which needed a lot of work, a lot of imagination and a good deal of courage and patience. The battle for Coin Street, when the group fought the Greater London Council for years in an unsuccessful bid to develop a giant office complex on the South Bank, typified the approach.

"A developer's success is built on his skills. If something is straightforward then he has nothing much to offer," says Mr Geoffrey Wilson, one of the founders and now chairman.

It is a good, old-fashioned property man's view, pulled out every time the institutions try to prove that money is the answer to all problems and they can do without the middleman. But Greycoat has proved its truth. A strong management team including Mr Ron Spinney and Mr Stuart Lipton brought together skills to take on sites considered too big or too complicated for most investors to bother with.

It was a gap in the market that has proved the making of Greycoat. The company has sold its project management skills, taking small slices of equity in return as it built its asset base and cash flow to a level where it could bloom into a fully-fledged investment company.

The speed with which it has reached that level has been helped by the sort of luck that lies behind every success story. The fringe sites it had taken on became prime locations a couple of years ago when the countdown started for the Big Bang.

Impending deregulation of the securities markets has given birth to financial conglomerates which are scrambling for big buildings. Even more important, they have broken with tradition by going outside the City core to fringe locations.

The turning point came with the office complex put up on the northern fringe of the City at Finsbury Avenue in partnership with Rosehaugh, the land owner. It was the first building in the City to cope with the new technology now becoming essential to tenants. It also boasted the fast-track US construction techniques learned from years of transatlantic visits.

The market was sceptical. New-fangled building and smoked glass could not compensate for the location, said most observers. They were wrong and Greycoat was right. The 250,000 sq ft was let before its extra-quick construction was finished and is already showing a capital profit of £10m. The big City names had decided to come out of their closets.

Mr Wilson is quick to admit the luck factor. "Very few people foresaw the Big Bang and I cannot pretend that we did," he says. "The gestation period for any large building is three to five years and it is hard to see how anyone could plan with such certainty.

"It was always going to be a good site but good fortune added to the success."

The building also broke financial barriers for Greycoat. For the first time it had not been forced to hand over equity in return for backing from the institutions. With the help of the astute Sir Godfrey Bradman at Rosehaugh, a consortium of backers was arranged (recently refinanced as a £40m quoted debenture).

Previous success such as 250 Euston Road, the 800,000 sq ft Cutlers Gardens complex and the 200,000 sq ft redevelopment over Victoria Station (just taken by prime City tenant Salomon Brothers) had left Greycoat with successive increases in net asset value but only a tiny slice of the equity. Even on Finsbury Avenue it only has a 28 per cent stake. Greycoat had been too small to carry the heavy debt of its big buildings on its own.

This had been seen from the start, and a series of corporate takeovers have punctuated the company's short history as it built its balance sheet strength. Last year it crossed a threshold with the acquisition of Law Land/Churchbury, taking on a portfolio which give it the muscle to arrange a £75m syndicated bank loan to buy and plan the rebuilding of Lutyens House on the northern fringe of the City, the biggest deal of its kind for a single UK building.

Finally, Greycoat has 100 per cent ownership of one of its giants and can be said to have graduated into the big league of developer/investors.

The impact on profits in a couple of years will be substantial. Rents will be probably about £40 a sq ft on the 190,000 sq ft — all pouring into the company instead of being syphoned off by a backer. The institutions will not be worried about missing out: they already own 70 per cent of the company. It has evolved quickly into a core stock through its rise in pre-tax earnings from £95,000 in 1978-79 to £4.57m in 1985-86, and this year's £37m rights issue was swallowed eagerly.

The next couple of years should see an easing of profit increases as rental growth prospects are limited until it digests some of its development schemes. But longer term prospects are brightened by the further phases of Finsbury Avenue and Victoria Station, Lutyens House, the 350,000 sq ft redevelopment of Brettenham House (picked up in the last takeover) and the impending redevelopment of Charing Cross Station.

"We are building a railway track-record," says Mr Wilson, hoping his pun will bring a smile to British Rail, which is considering Greycoat's application (along with others) to turn Cannon Street Station into another giant redevelopment.

Other big City schemes which fit the Greycoat pattern are also waiting in the wings. It will be fighting in a different market now, however, as other developers recognise the value of the land. One extra advantage may be Mr Wilson's passion for environmental improvements in his schemes and an attachment for the newly-popular architect Terry Farrell, who is producing the Charing Cross development.

Mr Wilson has shown little public interest yet in the biggest of fringe sites—London Docklands—although he is unlikely to want his former colleague Stuart Lipton to steal in there without a reply.

"We are looking carefully," was his guarded comment. "There are things that cannot be talked about. The Royal Docks look interesting."

In the opposite direction, the US is attracting more of Greycoat's attention, with Mr John Weir in permanent residence handling developments in New York, Washington, New Jersey and Connecticut.

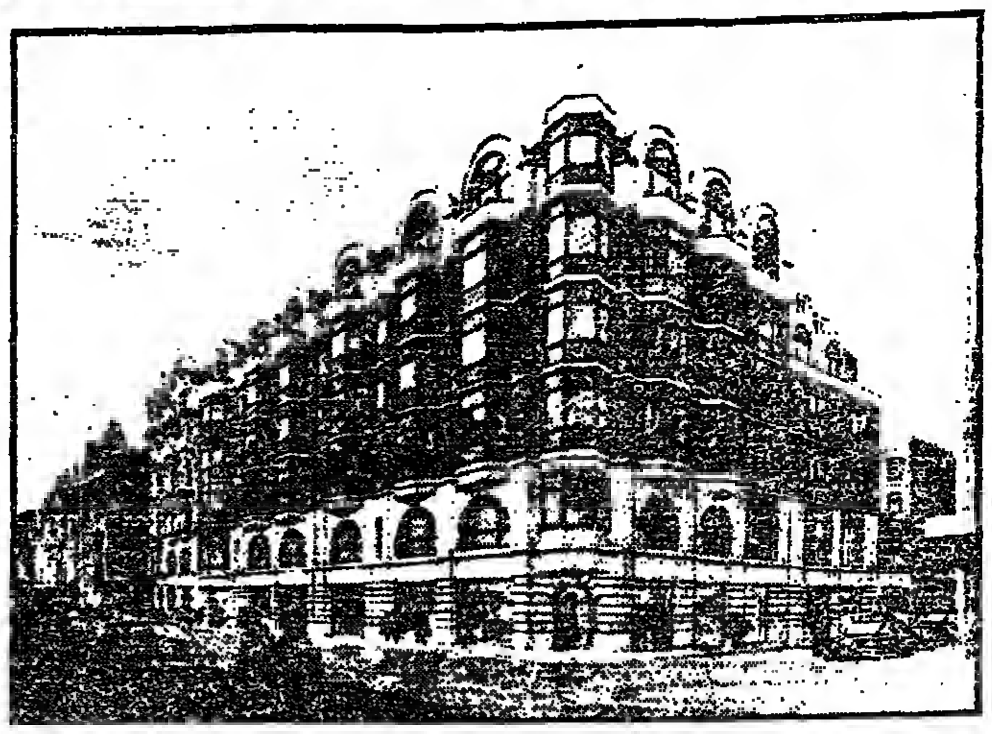
"We have found an interesting niche," said Mr Wilson. "We will be looking for more but it will be limited to the north-eastern seaboard and we will not be going for anything grandiose."

A possible new office in Washington and the appointment of Mr Peter Thornton as joint managing director based in the City of London are the best pointers to the concentration of Greycoat's future development intentions.

The only query may hang on its expanding finance costs—up four times to £3.76m last year and likely to go higher in future as the cost of schemes such as £100m for Charing Cross and £30m for Brettenham House has to be serviced.

But the gearing is rising from a low base, so the company will have a breathing space to match increasing returns from 100 per cent ownership of buildings with the cost of medium-term bank borrowing. The quality of the portfolio also means Greycoat will reap a substantial capital surplus as each development is completed.

David Lawson



Trevor Osborne (above), chairman of Speyhawk, and the company's Shaftesbury Avenue scheme in central London for Kleinwort Benson developed to the scale and "grain" of existing buildings. The central atrium has a water cascade

Profile: Speyhawk

Search for imaginative funding

TO SAY that Speyhawk is a one-man show would be an oversimplification. To suggest that Mr Trevor Osborne, the Speyhawk chairman, is the sole driving force behind the property group's meteoric rise would be unfair to the rest of the property trading house.

But there is no doubt about the sheer energy displayed by Mr Osborne as one of the most imaginative property men in the UK today.

He started in commercial and residential property in 1965, regrouped into Speyhawk in 1973 and founded Speyhawk Land and Estates four years later with Mr Derek Parkes.

From the early 1970s Mr Osborne began a strong institutional working relationship which enabled him to prefund a rapid development from 1979 onwards, primarily in London and the south east.

Speyhawk later concentrated on a number of important west London areas, such as Richmond, Brentford, Twickenham and Harrow, and the group has its head office in Isleworth, west London. Another keystone of Speyhawk's development was the acquisition of L. Tellings, which was integrated as the group's main construction arm.

In this decade Speyhawk has undertaken office development in central London and New York city, while external project management and construction projects were initiated in 1983.

The group has a reputation for quality developments, perhaps a reflection of its long-standing institutional association. It has also made a name as a dealmaker, producing projects and profits where others did not think it possible.

Profits for 1985 reached £3.3m while 1986 and 1987 earnings are estimated to rise to £6m and then £7.5m.

"We must be prepared to look at new and imaginative sources of funding if the property market is to develop," says Mr Osborne. "Companies must consider novel approaches such as joint ventures or partnerships."

To this end, Speyhawk has an 84 per cent holding in Osprey, a sheltered housing developer, 75 per cent of Mount Row Properties, 37.5 per cent of Mount Row Development and 75 per cent of Speyhawk Securities (the remaining 25 per cent is held by Brighton Corporation).

The partnership list includes: Baroneight (66.7 per cent and the balance with Harry Neal for a commerical development in Hammersmith); 50 per cent of Neal Estates (other half for McInerney Properties for commercial development in Hounslow); two-thirds of Leadenhall Developments with Johnston Group for an office project in Leadenhall Street.

Speyhawk is also equal partner with the Lep Group on a 14-acre development in Chiswick, west London.

"We have seven office developments under way in the City," says Mr Osborne. "Each one affords an opportunity to create good floor space. Since there is likely to be a post Big Bang shakeout we have looked carefully at the type of development we are involved in. Demand will continue for deeper space with a great deal of versatility, larger underfloor voids and sophisticated air-conditioning control.

"Equally important is the visible change in institutional attitudes to investing in the City. They are coming back to the office market and we intend to be there with them.

"Rents are rising in the West End, which is less volatile than the City, and we expect a growing shortage in one or two years."

The diversity of Speyhawk's activity is as interesting as its funding approach. The Monument project consists of 18,000 sq ft of offices, five retail units and a public house pre-let to Bass. Due for completion next spring, the development is funded by the Greater London Council pension fund.

Also due for completion in early 1987 is the Brighton seafront project: a 210-bedroom Sheraton Hotel, 70,00 sq ft of offices, pre-let to Brighton Corporation and funded by Postel. Although the site appears small, 350 car parking spaces and a new civic square have also been incorporated into the scheme.

Mr Osborne is not reluctant to sell his (and Speyhawk's) services to other companies. It is active in project management work as the group capitalises on its close relationships with Kleinwort Benson and the Lep Group.

The Kleinwort development in Shaftesbury Avenue entails 50,000 sq ft of offices and 12,500 sq ft of retail shops and banks. With an estimated building cost of £8m, the project will have an end value of £17m. The £40m Lep House project consists of 185,000 sq ft of offices, 11 flats and one public house. The end value is estimated at £100m.

Tellings, its construction subsidiary, has also undertaken third-party work such as refurbishing 158 flats for Regalian Properties in Wapping and refurbishment of a Woolworth store in Sutton for Hambro Life.

Internal funding of project work has grown since 1984. Although not expected to dominate Speyhawk's future financing formula, borrowings secured on the enlarged investment portfolio are likely to increase.

The company knows how to fight opposition to some of their plans, such as the redevelopment of Wimbledon town centre. Here it is fighting arch-rival Greycoat for acceptance of one of its two plans for the town centre. All Speyhawk's skill and cunning have gone into the contest, which has yet to be decided.

Speyhawk's ingenuity was again shown recently when in one fell swoop it broadened its capital base, brought in Airways Pension fund as a 12.5 per cent shareholder and secured three Airways properties worth £18.1m.

As one observer said, there was something for everyone in the deal and it has transformed Speyhawk as a group. "It might be a one-man show," says one City analyst. "But it certainly is not reflected in its share price."

Paul Hannon

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	150	136	♦Accord Publications 5p	150	+2	Rd3.1	2.6	2.9	19.0
‖§	F.P.	15/8	127	114½	♦Alexspring Group 10p	120xd		5.4	2.8	6.3	7.9
150	F.P.	30/6	152	138	Alumasc Group	150	+3	R5.85	2.5	5.5	10.4
115	F.P.	11/7	190	135	Arlington Sec. 10p	183	....	b2.7	4.3	1.3	25.1
150	F.P.	20/6	161	148	Barker (Charles) 5p	155	−3	u3.0	3.1	2.7	17.2
§145	F.P.	—	158	145	♦Beaverco 5p	147	.....	u5.0	2.4	4.8	11.7
‖§	F.P.	—	53	43	Bertrams Inv. Tst.	45	+2	—	—	—	—
§37½	F.P.	25/7	42	38	♦Bipel 5p	42	+2	R1.225	3.1	4.1	20.5
147	F.P.	4/7	142	130	Blick 5p	142	+4	R3.4	3.1	3.4	13.5
125	F.P.	—	138	128	♦Borland Intl. Inc	134	−3	u02c	1.4	1.0	18.7
145	F.P.	25/7	175	150	Bredero Props	150	−4	R4.25	2.3	4.0	12.7
§60	F.P.	20/6	61½	54	♦Brit. Isl. Airways 10p	56	−1	bd2.82	2.1	7.1	7.8
§110	F.P.	18/7	115	100	♦C'bell & Armstrong 5p	100	....	u3.91	1.9	5.5	12.7
§125	F.P.	—	135	131	♦Chelsea Man 5p	135	.....	L2.2	2.8	2.3	22.2
§130	F.P.	4/7	167	150	♦Clarke Hooper 5p.	153	+1	b2.3	2.9	2.1	23.0
[illegible]	F.P.	—	98	85	Clarkson (Horace)	97	+4	L4.75	1.5	6.9	13.3
68	F.P.	1/8	91	84	♦Coated Electrodes 5p	84	−2	u3.9	1.6	6.5	13.1
§15[illegible]	F.P.	6/6	232	172	♦Davies (D.Y.) 5p.	212	....	u3.4	2.7	2.3	22.8
[illegible]	F.P.	11/6	64	50	♦Dean & Bowes 5p	64	+1	L2.5	1.5	5.5	17.3
[illegible]	F.P.	4/7	64	59	Denistron Intl 5p	63	.....	u1.65	2.1	3.7	16.1
[illegible]	F.P.	17/7	123	111	Evans Halshaw	119	−1	u3.38	3.1	6.9	7.8
[illegible]	F.P.	4/7	130	120	♦Fields (Mrs) Inc $0.05	125	......	R04.5c	2.6	2.5	15.8
[illegible]	F.P.	—	92	82	♦Ford & Weston 5p	88	....	R3.02	2.6	4.8	11.3
[illegible]	F.P.	25/6	156	144	Guthrie Corp	144	−9	u5.3	2.2	5.2	9.2
[illegible]	F.P.	20/6	150	141	Haggas (John) 20p	146	....	ud3.0	3.2	2.9	15.1
[illegible]	F.P.	24/7	93	90	♦Hodgson Hldgs 5p	93	.....	R2.13	2.3	3.2	16.9
[illegible]	Nil	—	325	225	Joel (H.J.) Lkd Units	260	+5	—	—	—	—
[illegible]	F.P.	16/7	190	120	Lopex 5p	120	.....	R4.0	2.3	4.7	12.8
[illegible]	F.P.	26/6	158	145	♦Monotype Corpn 10p	158	......	R4.4	1.6	3.9	15.7
[illegible]	F.P.	—	516	480	Morgan Grenfell £1	485	......	L8.5	—	2.5	—
[illegible]	F.P.	18/6	190	170	P-E International 10p	182	−1	1.8	3.4	1.4	29.3
[illegible]	F.P.	27/6	121	103	♦Savage Group 20p	121	+8	R3.0	2.5	16.0	3.5
[illegible]	F.P.	1/8	113	171	♦Smallbone 10p	171	−4	u5.0	2.1	4.1	16.0
—	F.P.	—	55	43	Smith Newcourt War'ts.	55	+5	—	—	—	—
[illegible]40	F.P.	31/7	42	35	♦Soundtracs 5p	38	+3	b1.2	2.8	4.4	11.3
[illegible]98	F.P.	—	106	102	♦SpacePlan'ingSer. 10p	102	......	R1.8	3.4	2.5	16.6
[illegible]95	F.P.	25/7	114	104	♦Task Force 5p	114	+4	R1.78	3.8	2.2	16.9
112	F.P.	8/8	127	116	Tenby 50p	127	+1	u4.0	2.6	4.4	9.9
190	F.P.	—	242	222	Thames TV	224	−6	49.5	1.9	6.0	12.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	5/8	11pm	4pm	Amari 8% Cum. Conv. Red. Pref.	5½pm	+½
§97.947	£25	17/9	26¾	25¼	Bankers Inv. Tst. 10½% Deb. 2016	26¾	+¾
§99.50	£10	28/8	9¼	8	Bristol Water 9.8% Red Deb '96	8½	......
§99.256	£30	29/8	30½	27¼	Brit. Alcan Aluminium 10½% Deb. 2011	28¼	+¾
§94.203	£25	31/10	25⅛	23¼	Brixton Est. 9.5% 1st Mort Deb 2026	24¼	+⅝
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	37½	+¼
§94.45	£30	31/10	31¼	29⅛	European Inv. Bank 9% Ln 2001	31¾	+1⅛
‖	Nil	4/8	7½pm	5pm	Friendly Hotels 5% Conv. Cum Red. Pref.	5pm	−½
§99.054	£40	12/9	40½	39¾	Govett Strat.Inv.Tst.10⅜% Deb. 2016	40½	+¼
97.963	£25	24/10	25⅛	19¾	Gt. Portland 9½% 1st. Mort. Deb. 2016	20¾	+⅛
105.523	£25	21/8	26	20½	Land Securities 10% 1st. Mort. Deb.25	21	+½
‖	Nil	—	¼pm	⅛pm	Leigh Int. 6% Cnv. Cum. Red. Prf.	⅛pm	−⅛
§99.951	£40	14/7	42	36	Lon. Prov. Shop 10% 1st. Mtg Deb. 2026	36½	+½
§99.793	£25	24/9	24⅛	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	22	+⅝
¶‖	F.P.	—	13[illegible]p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	......
—	F.P.	—	100⅛	99⅜	Nationwide 9⅜ 15/6/87	99⅜	......
—	F.P.	—	100	99	Do 9⅜% 6/7/87	100	......
§97.50	F.P.	11/7	97⅛	96½	Paribas Concorde Tst.9.364% Deb. 1991	96⅝	+¼
§99.623	F.P.	30/6	100⅞	95	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	96	+1
§87.179	£30	26/9	30⅞	28⅛	Portugal 9% Ln. 2016	30⅛	+1
§99.888	£40	1/8	44	38¾	Queens Moat 10¼% 1st. Mort. Deb. 2020	39½	+½
95.512	F.P.	—	97	95¼	Scot.Mort.6%—12%Stp'd Int.Deb.2026	97	+¾
§105	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	45	+½
§99.480	£25	18/7	31⅛	24⅞	S.E. 10⅛% Mort. Deb. 2016	24⅞	+½
§99.50	£18	28/8	9¼	8	Sund. & S. Shields Wtr 9.8% Rd Db '96	8½	......
§48.835	F.P.	15/8	48½	47⅞	Tesco 4% Uns Deep Dis Ln 2006	48½	+½
¶	F.P.	—	126p	112p	Tomkins (F.H.)5.6% Cum. Cnv. Red. Prf	126p	+1
99.073	£25	8/8	25¼	22⅞	7aps Est. 10¼% 1st. Mort. Deb. 2011/16	23⅛	+1
¶	F.P.	—	106p	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	104p	......
£100	£50	1/9	50¾	46¼	Witan Inv. 8½% Deb 2016	47¼	+¾

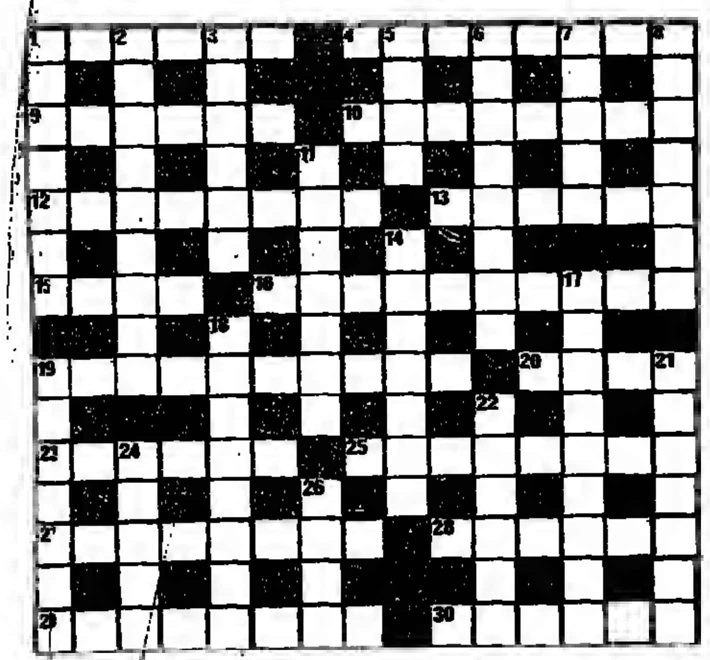
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
40	Nil	4/8	11pm	6pm	Anglo African Fin. 7½p	6pm	......
470	Nil	4/8	200pm	100pm	Antofagasta Hldgs. £1	100pm	......
55	Nil	—	½pm	¼pm	Bertrams Inv. Tst.	½pm	......
250	Nil	—	28pm	25pm	Boase Massimi Pollitt 12½p	25pm	......
190	F.P.	8/8	235	218	Clifford's Dairies	225	......
170	F.P.	8/8	198	192	Do A N/V	197	−1
465	Nil	29/8	100pm	80pm	Costain Group	100pm	......
880	Nil	1/8	180pm	135pm	De la Rue	180pm	......
130	Nil	—	8pm	8pm	Erskine House	9pm	+1
47	Nil	15/8	17pm	8½pm	Five Oaks Invs.	16pm	−½
900	F.P.	24/7	345	328	Gerrard & Natl.	335	......
148	Nil	20/8	34pm	26pm	Ibstock Johnsen	32pm	−2
215	Nil	—	63	50	Intl. Signal & Control 10c	50	−2
200	F.P.	18/7	520	450	Nat West Bank £1	520	+2
18	F.P.	23/7	23	19	Nell & Spencer 10p	21	......
50	Nil	—	14pm	10pm	♦Pineapple Dance Studios 10p	12pm	......
£14	Nil	12/9	500pm	500pm	Priest Marians £1	500pm	......
285	Nil	6/8	51pm	43pm	Scottish TV 10p	47pm	−1
25	Nil	—	4pm	½pm	Sovereign Oil & Gas	½pm	−½

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. I Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." § § Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▩ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No 6,064

GRIFFIN



ACROSS

1 Maybe those left behind will provide overnight accommodation (6)
4 Seized by drunken local when left behind (8)
9 Till there's parking by the lake (6)
10 The patients included an ungentlemanly chap with cataracts (6)
12 Offered the next deed for amendment (8)
13 Swell way to start a walk (6)
15 In blue, the first new colour (4)
16 Spot Ray, moving or standing still (10)
19 Walker rested uneasily, being in some sort of pain (10)
20 Spring right on to box (4)
23 Always back a pound, for show (6)
25 Ranting incoherently about nothing as lacking in education (8)
27 Managed to ring through with another date (8)
28 Prime sort of Eastern sovereignty (6)
29 Volunteers to get the flutes out, showing good artistic judgment (8)
30 Trifling with the skinhead is entertaining (6)

DOWN

1 Wretched piano man has to go outside (7)
2 Need an anagram of "deficient" before you get "abreviated" (9)
3 An old battering ram gets things moving (6)
5 Eggs left on the ground in Lambeth (4)
6 Places on a kind of square, in position (8)
7 Broadcasting nothing after a terrible raid (5)
8 The man returns with a drama to reveal (7)
11 Re-introduce Elizabeth, back at the warehouse (7)
14 The new motorist missed out "throttle," which is odd (7)
17 A couple of pages on a famous film producer could be interesting (9)
18 Possibly see accountant home during romp (8)
19 Object when puss starts to purr madly (7)
21 Go back again and again, in a ragged condition (7)
22 The Marines brought in a young horse, to be precise (6)
24 Carefully inspects six sheep, pointlessly (5)
26 It's studied by those wishing to book the fare (4)

Solution to Puzzle No 6,063

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 — 01-929 1532

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh — 031-225 1551

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS — 0272 428431

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT — 01-606 9085/6

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD — 01-405 8331

Wright Seligman Fund Managers Ltd
11 Dowgate St, London EC2M 7AY — 01-588 0592

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield — 0484 602250

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co. Ltd.

American Life Insurance Co UK

Baltic Assurance Funds

Barclays Life Assur. Co. Ltd

Black Horse Life Ass. Co. Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Cannon Assurance Ltd—Continued

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ — 031-225 1655

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA — Tel: 0908 606101/660888

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London Life

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Property Growth Pensions & Annuities Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Asst. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Sentinel Life plc

Skandia Life Assurance Co Ltd

INSURANCE, OVERSEAS & MONEY FUNDS

Brown Shipley Fund Mgmt (CI) Ltd
PO Box 583, St Helier, Jersey 0534 74777

Sterling Cash (Daily)	11.28	11.69	+0.14	9.07
Sterling Cap (Daily)	21.28	21.30	+0.01	—
Intl Bond (Daily)	$14.33	15.13	+0.09	5.86
Int Currency (Wed)	1.27	1.35		4.84

Butterfield Management Co Ltd
PO Box 195, Hamilton, Bermuda

Buttress Capital	$14.30			
Buttress Equity Acc.	$7.45	7.79	—	—
Buttress Inc Acc	$4.52	4.47		

CAL Investments (IoM) Ltd
16 St Georges Street, Douglas, IoM 0624 20231

CAL C & C*	36.9	38.8		—
CAL Metals*	17.0	17.9		—

*Dealings Monday **Dealings daily

CAL Investments (Bermuda) Ltd
PO Box 1022, Hamilton, Bermuda 809-291 56950

CAL Futures Fund	140.48	143.35		—

Capital International
45 Boulevard Royal, Luxembourg

Capital Int. Fund	$59.30			—

Capital Preservation Fund Intl.
10 rue Aldringen, Luxembourg 1118

Cap Press Fund	$12.14			—

Cater Allen Investment Management (CI)
29½ Broad St, St Helier, Jersey, CI 0534 78890

CA Dollar Inc Fd	$10.21	10.23		7.82
CA Gilt Eqty Fd	$13.87	13.49		10.05

Charterhouse Bank
1 Paternoster Row, London EC4 01-248 4000

Emperor Fund	$15.06	15.83		0.49
Euro Global Inc Fd	$72.05	15.69		0.59

Charterhouse Fund Mngt. (C.I.) Ltd
Charterhouse Bldg, Bath St, Jersey 0534 79437

Foreign & Colonial Management Ltd
1 Laurence Pountney Hill, London EC4 01-623 4680

F&C Atlantic June 25	$17.15			—
F&C European June 24	$23.03			—
F&C Oriental June 25	$44.82			—

Weekly dealings

Formosa Fund
c/o Hoare Govett Asia Ltd, Heron Hse, 319 325 High Holborn WC1 01-404 0344

Framlington Overseas Fund Mngt. Ltd
PO Box 71 St Peter Port, Guernsey 0481-26541

Far East Fund	$0.704	0.741		
Income & Growth	$0.679	0.714		2.10
Managed Portfolio	$0.413	0.445	+0.002	

Frankfurt Trust Investment—GmbH
Wiesenau 1, D-6000 Frankfurt

Frobisher Fund Limited
PO Box HM1735, Hamilton, Bermuda 809 295 7441

GT Management (UK) Ltd
8th Floor, 8 Devonshire Sq, London EC2M 4YJ
Tel. 01-283 2575

Hill Samuel Investment Mgmt Intl SA
Jersey, PO Box 63

Holborn Fund Mngmt (Guernsey) Ltd
0481 26268

Holborn Fund Mngmt (Jersey) Ltd
0534 72156

I.C. Trust Managers Ltd
0624 25015

MEL Britannia Int Ass Ltd
0624 24924

NM Income & Gwth Fd
2 Boulevard Royal, Luxembourg

Nat. Westminster Jersey Fd. Mgrs. Ltd
0534 70041

Newport International Management
809 295 4000

Nikko Intl. Cap. Mngt. Co (Europe) Ltd
0481 21438

Nomura Growth Fund SA
2 Boulevard Royal, Luxembourg

Northgate Unit Tst. Mngr. (Jersey) Ltd
0534 73741

North Star Group of Companies

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

TRADITIONAL OPTIONS

COMMODITIES AND AGRICULTURE

Chernobyl lamb controls extended

By Stefan Wagstyl

THE GOVERNMENT yesterday extended for two weeks most of the bans imposed on the movement and slaughter of sheep affected by radioactive fall-out from the Chernobyl disaster.

Restrictions are being lifted on 549 flocks on the west coast of south-west Cumbria. But in other parts of south-west Cumbria, North Wales, and parts of Scotland, bans imposed last month which were due to expire at the end of next week are being extended until July 25. As a result lambs from at least 7,000 flocks will continue to be kept off the market as the season for home-produced meat reaches its peak.

Mr Michael Jopling, the Agriculture Minister, said in a statement to the House of Commons that monitoring results to July 2 showed an encouraging reduction in levels of radioactive caesium in certain parts of south-west Cumbria. Samples had been taken predominantly in coastal areas where lambs were most likely to be ready for market.

Mr Jopling said that the latest results were being published yesterday. However, yesterday evening the Ministry of Agriculture was unable to disclose the figures.

But it said that in areas where the ban had been lifted all readings were below the ministry's 1,000 becquerel a kilogram "action" level. The highest readings in areas where the ban remained in force was about 3,000 becquerels a kilogram. Becquerels are a measure of radioactivity.

Mr Jopling said the Ministry hoped to reduce the size of the designated areas in Cumbria's as soon as additional sampling results confirmed the expected fall in radio-caesium levels in the area still subject to restriction.

Talks about compensation for farmers were continuing with representatives of farmers' unions, he said.

Meanwhile Sir Geoffrey Howe, the Foreign Secretary, told the visiting Soviet agriculture minister, Mr Vsevelod Murakhorsky, that the UK reserved its position on the question of claiming compensation from the Soviet Union.

Diamond sales surge by 45%

BY KENNETH MARSTON, MINING EDITOR, AND ANDREW WHITLEY IN TEL AVIV

SALES OF rough (uncut) diamonds, have surged 45 per cent to $1.21bn in the first half of this year, confirming that the long recession in the world diamond industry is over.

The latest figure is the best for a first-half since the record of $1.57m in the 1980 boom when the total reached $2.72bn.

The sales are handled by the Central Selling Organisation of South Airca's De Beers Consolidated Mines, which markets over 80 per cent of world gem and industrial diamond output on hebalf of its own mines and those of other producers.

Because of the weakness of the South African currency the latest figure in raod terms is 62 per cent up on a year ago at R2.71bn.

At the World Diamond Congress in Tel Aviv yesterday Mr Julian Ogilvie Thompson, the chairman of De Beers, said the market regulating structure of the CSO, "has enabled the industry to come through its worst depression since the 1930s; wehave succeeded where other commodity stabilisation schemes bave failed."

Many dealers and cutters taking part in the congress shared Mr Ogilvie Thompson's confidence about the market outlook although their recent fall from grace appears to bave had a sobering effect. Several preferred to describe the current situation as "reasonable," rather than "strong," saying it was difficult to look beyood the end of the year.

Over the past five years De Beers has been forced to reduce its own rough diamond production while continuing to buy that of other producers. This bas resulted in the creation of a big stockpile of virtually unsaleable stones — mainly the higher quality gems — which grew from just under $1hn in 1980 to $1.95hn in 1984.

During the same period, however, the demand for polished gem diamonds—mostly the less expensive stooes—continued to grow at retail level and reached a record last year. This demand was supplied from the high level of stocks held in the cutting and polishing trade which had been earlier built up as a hedge against inflation.

The rationing of new supplies to the trade by the CSO finally reduced the stocks held by the cutters. At the same time retail demand broadened into the more expensive types of diamood and earlier this year the CSO was able to raise its prices for roughs by an average of 7½ per cent, tbe first increase since 1983.

Last year the De Beers stockpile ceased to rise and can he expected to reduce in 1986 witb a consequent easing in the borrowings made by De Beers. Yesterday the chairman commented: "Demand for rough diamonds from the CSO is again back in balance with current production for the first time for many years."

De Beers' announcement coincided with the disclosure by Israel, one of the world's top cuttiog and polishing centres, that in the first half of 1986 its diamond exports reached a record $816m, 40 per cent up on the same period last year.

DIAMOND SALES
(million Rands)

	Six months to June	Dec	Year's total
1986	2,710.0	—	—
1985	1,676.0	2,351.0	4,027.0
1984	1,180.0	1,126.0	2,306.0
1983	960.0	811.0	1,771.0
1982	635.5	724.1	1,359.6
1981	747.5	501.0	1,249.4
1980	1,267.2	874.4	2,141.6
1979	1,985.4	1,106.2	2,191.5
1978	1,063.4	1,155.4	1,218.9
1977	943.4	859.3	1,802.7
1976	681.9	670.0	1,351.9
1975	355.1	438.4	793.5
1974	625.5	313.6	849.4

The Israeli industry, centred on the Tel Aviv suburb of Ramat Gan, is forecasting that 1986 sales will reach US$1.5bn. But a bold prediction by Mr Ariel Sharon, the Industry and Trade Minister, at Mooday's Congress opening that exports in 1987 could soar to $2bn is being played down by ibe manufacturers themselves.

Israel was the first manufacturing ceotre to go into recession in the late 1970s and has also been the first to emerge on the other side, ballered but largely unbowed. Although the Israeli industry is still dominated by a tightly-knit group of Yiddish-speaking, ultra-orthodox Jews, young newcomers with low overheads have recently been making an impact.

In an implicit rebuff to the Israeli Industry Minister's characteristic bravado, Mr Daniel Legziel, the newly elected president of the International Diamond Manufacturers' Association, said "when we speak of next year we should be more careful, instead of shooting from the hip." Mr Legziel warned of the impact world interest rates could have on diamond sales. South Africa provides about 20 per cent of the rough diamonds handled by the CSO and concern over tbe potential impact of the current political turmoil there on diamond supplies was beard at the Congress, both on and off the formal agenda.

However, unlike the last congres in Antwerp two years ago, when a fierce row broke out over the alleged dumping of "roughs" by the Soviet Union, the Tel Aviv gatbering of the fraternity appeared to have gone off smoothly, with most of the participants sanguine about the prospects of continuing recovery in all categories of the trade.

Further Canadian nickel cuts ruled out

BY BERNARD SIMON IN TORONTO

CANADA'S TWO leading nickel producers have indicated that they will not take furtber action for the time being to support the weakening international nickel market.

According to new estimates by Inco, the world's largest producer, the company's 1986 shipments may be slightly higher than the 358m lb delivered last year. An Inco official said that the company aims to maintain its share of about 30 per cent of the world market wbich it estimates at 1.27bn lb this year, 4 per cent higher than in 1985.

A Falconbridge official said that 1986 output from its mines in Sudbury, Ontario, will be between 68m and 70m lh, which is the same level predicted earlier this year. Production from its facilities in the Dominican republic is expected to be slightly above last year's 56.9m lb.

Inco is currently in the process of implementing summer sbutdowns announced last November of between six and ten weeks at its Canadian, Welsh and Indonesian facilitiea.

Although these closures will reduce its Canadian output by 25m-30m lb this year, output from other facilities is expected to increase as operating efficiencies improve.

The Falconbridge official said: "We don't find it in our best interests to shut down for any period of time during the summer." According to traders Falconbridge is reluctant to build up stocks.

Inco is widely regarded as the world's lowest cost nickel producer and has fought hard to maintain its market share following the emergence of producers in third world and socialist countries. According to its latest estimates, due to be made public in a speech by the chairman, Mr Cbarles Baird, in New York next week, world nickel demand will exceed supplies by 30m lh this year. Inco also expects stocks to be no higher than 275m lb this year, the lowest level since 1974.

The company bases its optimism on ao expansion of stainless steel production in Taiwan, lower use of recycled stainless acrap and higher deliveries to Eastern Europe. Labour disputes have recently interrupted supplies.

Both Inco and Falconbridge have benefited substantially from lower oil prices. Oil makes up more than half the operating costs of Falconbridge Dominican and is a key cost element at Pt Inco, Inco's Indooesian subsidiary. Falconbridge said earlier this year that the Dominican operations would save more than 50 cents per lb of nickel this year with oil at $11.25 a barrel.

A leading nickel trader said that the two companies' apparent reluctance to support the market has increased downward pressure on prices. He said there is evidence that Inco has recently sold material well below the price of $2.0 per lb which the company posted last May.

Free market prices slipped below $1.80 per lb earlier this week, compared with an average of more than $2 per lb in the first three months of 1986.

Contradicting Inco'a optimistic assessment, the trader said that increased supplies from the Soviet Union and signs of slipping demand for nickel, especially in the stainless steel industry, have depressed the market.

Rapeseed crop down sharply

BY JOHN BUCKLEY

UK 1986 rapeseed production is likely to be down hy 100,000 tonnes from last year's 891,000 tonnes, with national yields averaging 1.05/1.1 tonnes an acre, according to Mr Mike Bearman, oilseed manager with United Agricultural Merchants, Quenby Price.

MrBearman, who calculated area at 720,000 acres, said the crop had made a remarkable recovery over the past six months, after a buffeting from the harsh winter, which required substantial resowing, and a late spring, which kept growth a fortnight behind normal.

"At one stage, we were resigned to top yields as low as half a tonne or 12 cwt, but I will still be amazed to see a higher figure than 22 cwt," Mr Bearman said. Last week crusher-linked Cargill Agricultural Merchants forecast a yield of 1.25 tonnes an acre and most farmers agree that the crop will be well down this year.

The fall in output for the second year in a row is unlikely to leave the market tight, despite a rise in domestic crush capacity to some 750,000 tonnes. Crushers are already importing large quantities of seed because they regard domestic rapeseed, at some £270 per tonne, as too expensive. Some farmers have been refusing to accept less than £280 because of tha smaller crop.

According to Mr Bearman, each tonne of rapeseed yields roughly £80 worth of oil and £40 worth of meal. So joint production value plus the crushing subsidy of £155 gives a return of £275 from which the crusher has to subtract £20 in operating costs, before he can even start to think about a profit. "On this basis, the seed is worth no more than £255 to the crusher," be said.

But the European Commission has been reluctant to raise the subsidy on tbe premise that intervention around £260, rather than the target price of over £300, should put a floor under the market.

In addition, British crushers are free to buy plentiful European rapeseed — French material has been offered at £10 and West German at £15 per tonne discounts to British seed. Third country material as cheap as £109 a tonne without subsidy has also been an attractive proposition.

Farmers would be wrong in assuming that exports would necessarily lighten the market as they did last year, Mr Bearman warned. "It's true that there has been a tremendous outflow of rapeseed to other countries, but that was a one-off situation because the ratios between the pound and other European currencies and the dollac made British rapeseed temporarily cheaper. But what actually happened was that much of the UK rapeseed that left the country was replaced by Polish seed coming in." Poland shipped an estimated 150,000 tonnes to the UK in the 1985-86 season.

Although the winter is not believed to have affected 1986 crop quality the cold, wet spring has produced short roots and any drought now could cause small or shrivelled seed, which might affect oil quality or make for less efficient crush handling.

The extent to which the crop now caught up would also depend upon good rainfall. Some forward parts of the country might be harvesting in the last week of July. Mr Bearman said, "but I don't believe we shall get any volume of rape this year until between the 8th and 10th of August."

However, most crushera are believed to have resigned themselves to a late season, and have probably kept sales of both oil aod meal down.

Tourist boost for Portsmouth

Financial Times Reporter

A £60,000 development programme to promote tourism in Portsmouth bas been announced in London.

A two-year Tourism Development Action Programme, including £10,000 from the English Tourist Board, represents a partnership between Portsmouth City Council, Gosport Borough Council, Hampshire County Council, the Southern Tourist Board and the English Tourist Board.

An action programme is a collaboration between the ETB, the regional tourist board and local authorities as well as other organisations, public and commercial, and it is aimed at developing tourism in a specific locality in a dynamic manner. This is the sixth to be announced by the ETB.

Mr John East, chief executive of the ETB, said that Portsmouth had been designated a tourism development action area because it bad the two key characteristics: commitment and potential.

Councillor Ian Gibson, leader of Portsmouth City Council, said that public investment worth over £22m had gone into tourism development projects such as the D-Day Museum, a tourist information centre and the expansion of Portsmouth's Continental ferryport, and up to 1,000 jobs had been created.

Added to this, private investors had shown confidence in Portsmouth as a dynamic tourism product. "The combined worth of this public and private investment in Portsmouth's new tourism future is over £100m and will be creating over 3,000 jobs."

The local economy research group at Portsmouth Polytechnic estimatea that tourism-related activity in Portsmouth City in 1986 will account for £150m, nearly 10 per cent of local income.

It has been estimated that the Naval Heritage project, involving the Mary Rose complex, the D-Day Museum, the Submarine Museum, the Warrior complex and the Naval Base development, will attract an additional 350,000 visitors a year to the city, generating £65m of direct tourist spending over the three years 1986-88.

This direct spending should generate an additional indirect expenditure in the city of £70m over the next three years, giving an overall value to the local economy of £135m.

FAO forecasts less food for Third World hungry

BY WILLIAM DULLFORCE IN GENEVA

FOOD CONSUMPTION will fall this year in half the world's poorest countries at the same time as world cereal stocks are expected to reach a record 390m tonnes, Mr Edouard Saouma, director-general of the UN's Food and Agriculture Organisation (FAO) said yesterday.

World cereal trade is forecast to slacken appreciably this year with imports by developing countries declining by some 11 per cent in 1985-86, according to FAO calculations.

The estimated buffer stock of 390m tonnes of cereals, 45 per cent of which will be held in the US, will be equivalent to roughly 23 per cent of total world consumption.

Mr Saouma pleaded before the UN economic and social council for a fairer trading environment for developing countries, a re-allocation of farm processing resources and a boost in foreign aid to the agricultural sectors of poor countries.

Efforts to stabilise the prices of staple commodities have been largely unsuccessful and international commodity agreement have not produced the desired results, Mr Saouma acknowledged.

The terms of trade for farm exports compared with manufactures had suffered a marked decline of about 14 per cent in 1985, mainly to the detriment of developing country exports.

The outlook is hardly any brighter for 1986 and beyond since FAO forecasts of price developments for many commodities up to 1990 are "hardly to the exporter's advantage."

It was important to reaffirm the principle of preferential treatment for developing countries under the General Agreement on Tariffs and Trade (Gatt) in the new round of international trade negotiations due to be launched in September, Mr Saouma said.

Agricultural trade will be one of the most difficult and controversial items in the negotiations. FAO has in the meantime started its own in-depth study of trade in farm products in an attempt to identify ways of expanding the South-South trade among developing countries themselves.

The director-general deplored the fresh outbreak of protectionist trade measures "under pressure from professional circles" that has been affecting agricultural trade.

US aluminium labour contract agreed

By David Owen

LEADERS OF the United Steelworkers Union has reached agreement with US aluminium companies Alcoa and Reynolds on terms for a new three year labour contract. Last night talks between the two companies and the Aluminium, Brick and Glass Workers' Union were continuing, with observera expecting a settlement shortly.

The agreement calls for concessions of some 95 cents per hour in total worker compensation, in addition to the elimination of vacation bonuses. Basc wage levels will be unchanged. Workers are currently paid some $24 per hour in wages and benefits of which 113 is for wages.

Meanwhile, three out of six potlines at Ormet Corp's 266,000 short tonnes per year capacity Hannibal aluminium smelter in Ohio have been shut down following a walk-out by USW members. The move follows union rejection of the latest company proposal calling for wage and benefit concessions of around $4 per hour. A company spokesman said the plant would continue to operate at current levels and that no further talks were scheduled.

LONDON MARKETS

COFFEE PRICES reached fresh nine-month lows on the London futures market yesterday as the downturn which began on Wednesday picked up pace. The September position finished the day £59 down at £1,633.50 a tonne. The influence of the reported cold front off the Brazilian coast which boosted prices in London quite sharply on Monday and Tuesday now seems to have evaporated in the face of weather forecasts ruling out the possibility of a damaging frost hitting the country's coffee belt for some days at least. On the London Metal Exchange news of partial labour settlements at Alcoa and Reynolds of the US pushed values back down following Wednesday's rally. The cash position ended the day £9.50 down at £737.50 a tonne, the lowest level since mid-December.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	737-8	—9.5	—
3 months	745-5.5	—8.25	746.5/746

Official closing (am): Cash 739-9.5 (735-5.5), three months 741.5-2 (743-3.5), settlement 739.5 (735.5). Final Kerb close: 743-4. Turnover: 23,350 tonnes.

COPPER

Grade A	Unofficial close	+ or —	High/low
Cash	910-11	+4.0	914/912
3 months	906-7	+6.0	912/900

Official closing (am): Cash 914-5 (911.5-2.5), three months 908.5-9.0 (906-7), settlement 915 (912.5). Final Kerb close: 905-6.

CATHODES

Standard			
Cash	868-70	+3.0	870/866
3 months	890-2	+4.25	890/890

Official closing (am): Cash 866-7 (870-2), three months 892-4 (887-9), settlement 867 (872). US Producer prices 64.00-69.00 cents a pound. Total turnover: 32,850 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	256-6	—13.0	260.5/257
3 months	256-7	—11.5	267/250

Official closing (am): Cash 256-7 (268-9), three months 257-7.5 (268.5-9), settlement 257 (269). Final Kerb close: 255.5-6. Turnover: 20,950 tonnes. US Spot: 22.25-24.00 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	2480-5	—90.0	—
3 months	2515-20	—86.0	2590/2510

Official closing (am): Cash 2,535-40 (2,650-5), three months 2,575-8 (2,600-1), settlement 2,540 (2,565). Final Kerb close: 2,525-30. Turnover: 2,190 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	536-7	—1.0	—
3 months	530.5-30	—1.75	540/520

Official closing (am): Cash 532-3 (532.5-3), three months 525.5-6 (535-6).

US MARKETS

NEW YORK MARKETS were closed for the 100th anniversary of the Statue of Liberty, reports Heinold Commodities. In Chicago the pork complex traded strongly with pork bellies up the daily 2c limit in all delivery months.

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS

[illegible]

DOW JONES

[illegible]

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS: Aluminium, Free Market, Copper, Cash Grade A, 3 mths, Gold Troy oz, Lead Cash, 3 mths, Nickel, Free Mkt, Palladium oz, Platinum oz, Quicksilver, Silver troy oz, 3 months, Tin, free mkt, Tungsten, Wolfram 22.04lb, Zinc, 3 months, producers — [illegible]

OILS: Coconut (Phil), Palm Malayan, Copra Phil, Soyabean (U.S.) — [illegible]

GRAINS: Barley Fut. Sept, Maize, Wheat Fut. Sept, No. 2 Hard Wint. — [illegible]

OTHERS: Cocoa Ft. Sept, Coffee Ft. Sept, Cotton A Index, Gas Oil Aug, Rubber (kilo), Sugar (raw), Wooltops 64s — [illegible]

† Unquoted. * Per 75-lb flask. c Cents per pound. y July-Aug. w Aug-Sept. * Cotton Outlook.

TIN

KUALA LUMPUR TIN MARKET—Close: 14.22 (14.19) ringgit per kg. Up 0.03.

ZINC—HIGH GRADE [illegible]

GOLD

[illegible]

GOLD BULLION (fine ounce) July 3

GOLD AND PLATINUM COINS

[illegible]

SILVER

[illegible]

MEAT

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

SOYABEAN MEAL

[illegible]

GRAINS

[illegible]

RUBBER

[illegible]

SUGAR

[illegible]

FREIGHT FUTURES

[illegible]

POTATOES

[illegible]

OIL

[illegible]

GAS OIL FUTURES

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar still weak

The dollar finished above the day's lows as dealers squared positions ahead of the long weekend in the US but it was still below Wednesday's closing levels, failing to recover fully from a sharp decline in New York and Tokyo. Trading volume was thin because of today's closure of US markets for Independence Day and also Sunday's general election in Japan. However disappointing unemployment figures provided further pressure on the US authorities to act in order to combat signs of a slowing rate of economic growth.

There was a reluctance to run too short on dollars over the three-day break but dealers noted that large intervention by the Bank of Japan in Tokyo had failed to halt the dollar's decline. There is now a growing feeling that the US Fed will cut its discount rate possibly as soon as next week. This tended to undermine the dollar still further. Previous speculation about yesterday's meeting of the West German Bundesbank's central council provided little reward with no change in interest rates or money supply target ranges.

Against the D-Mark the dollar touched a low of DM 2.1630 before finishing at DM 2.1735 its lowest level since late April and down from DM 2.1885 on Wednesday. It finished at Y161.35 against the yen, its second lowest closing level ever and down from Y163.35 previously. Elsewhere it dipped to SFr 1.7670 from SFr 1.7835 and FFr 6.95 compared with FFr 6.9825. On Bank of England figures, the dollar's exchange rate index fell from 114.1 to 113.6.

The Australian dollar received little comfort from news that a national dock strike would end today and the US dollar rose to new highs, finishing at A$1.5772½ from A$1.5480 on Wednesday. The market was still displeased by a recent announcement that withholding tax exemptions on interest payments made on offshore loans would be abolished.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. June average 1.5089. Exchange rate index 76.2, unchanged from the opening and Wednesday's close. The six months ago figure was 75.0.

The pound traded very quietly, remaining on the sidelines. Against the dollar it rose to $1.5460 from $1.5370 but slipped against the D-Mark to DM 3.36 from DM 3.3650 and Y249.50 from Y251. Elsewhere it was lower at SFr 2.7325 from SFr 2.7425. It was slightly higher against the French franc at FFr 10.7450 from FFr 10.7325.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. June average 2.332. Exchange rate index 135.8 against 131.4 six months ago.

The D-Mark was confined to a narrow range against the dollar in Frankfurt yesterday. An announcement by the Bundesbank not to change interest rates or money supply target ranges was much in line with expectations. Proximity of the long weekend in the US and Japanese elections on Sunday kept business to a minimum. Despite the dollar's overnight loss, there was a general reluctance to push it any further in thin trading for fear of attracting central bank intervention. The dollar failed to establish itself below DM 2.17 and closed at DM 2.1705 down from DM 2.1805.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. June average 167.50. Exchange rate index 211.1 against 176.2 six months ago.

The yen rose sharply against the dollar in Tokyo yesterday despite heavy intervention by the Bank of Japan. The authorities attempted to counter a wave of selling by making dollar purchases of up to $1½bn. However this was insufficient to stop the dollar falling below Y162.0 to finish at Y161.70, down from 163.90. The selling came in the run up to a long weekend in the US and was prompted by a growing belief that further signs of a slowdown in the US economy, as reinforced by Wednesday's fall in US factory orders, would lead to a cut in the US discount rate, possibly next week.

£ IN NEW YORK

July 3	Latest	Prev. close
£ Spot	$1.5455-1.5465	$1.5405-1.5415
1 month	0.43-0.40pm	0.42-0.41pm
3 months	1.16-1.13pm	1.15-1.12pm
12 months	3.95-3.85pm	3.90-3.80pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5425-1.5495	1.5455-1.5465	0.43-0.40c pm	3.22	1.20-1.15pm	3.04
Canada	2.1285-2.1350	2.1285-2.1320	0.37-0.27c pm	1.80	0.65-0.60pm	1.45
Nethlnd.	3.77½-3.78¾	3.77¾-3.78¾	1¾-1⅝ pm	5.97	3½-3¼pm	3.57
Belgium	68.56-68.84	68.65-68.75	21-16c pm	3.23	52-43pm	2.77
Denmark	12.44-12.50	12.47-12.48	2½-1¼ore pm	1.62	5¼-3⅞pm	1.46
Ireland	1.1098-1.1146	1.1120-1.1130	0.10-par p pm	0.54	5pm-5dis	—
W. Ger.	3.35¾-3.38½	3.35¾-3.36½	1¾-1⅝pf pm	5.80	4½-4¼pm	5.13
Portugal	228.20-230.10	228.20-229.40	60-220c dis	−7.34	210-685dis	−7.82
Spain	214.10-214.81	214.38-214.81	75-125c dis	−5.59	290-340dis	−8.78
Italy	2,298¾-2,309¾	2,306-2,307	2-8lire dis	−2.60	10-17dis	−2.34
Norway	11.48¾-11.51¾	11.50¾-11.51¾	3¾-4¾ore dis	−4.17	12¾-13¾dis	−4.41
France	10.70-10.75	10.74-10.75	2¾-2¼c pm	2.79	6¾-5¾pm	2.20
Sweden	10.90½-10.94¾	10.93¾-10.94¾	par-¼ore dis	−0.21	¾-1¼dis	−0.27
Japan	249-250½	249-250	1¾-1y pm	6.41	3¾-3¼pm	8.21
Austria	23.55-23.61	23.58-23.61	11¾-9¾gro pm	6.28	28¾-25½pm	4.60
Switz.	2.72-2.73¾	2.72¾-2.73¾	1¾-1c pm	4.94	3¼-3¼pm	4.76

Belgian rate is for convertible francs. Financial franc 69.30-69.40. Six-month forward dollar 2.22-2.15c pm. 12-month 4.04-3.94c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5425-1.5495	1.5455-1.5465	0.43-0.40c pm	3.22	1.20-1.15pm	3.04
Ireland†	1.3850-1.3940	1.3895-1.3905	0.45-0.20c pm	2.82	1.00-0.65pm	2.39
Canada	1.3748-1.3790	1.3780-1.3790	0.15-0.18c dis	−1.44	0.53-0.58dis	−1.26
Nethlnd.	2.4375-2.4565	2.4455-2.4465	0.15-0.10c pm	0.61	0.40-0.35pm	0.61
Belgium	44.30-44.50	44.40-44.50	1pm-1c dis	—	par-4dis	−0.18
Denmark	8.04¾-8.07½	8.06½-8.07¼	0.80-1.30ore dis	−1.56	2.80-3.30dis	−1.61
W. Ger.	2.1630-2.1790	2.1730-2.1740	0.47-0.44pf pm	2.51	1.22-1.17pm	2.20
Portugal	147¾-148½	148¾-148½	100-250c dis	−14.15	350-850dis	−13.47
Spain	138.20-139.75	138.65-138.75	85-135c dis	−9.53	250-300dis	−7.94
Italy	1,486-1,494½	1,491¼-1,492¼	6-8¼lire dis	−5.83	18-21¼dis	−5.30
Norway	1.42-7.45	7.44½-7.45	4.50-4.70ore dis	−7.43	13.70-13.90d	−7.43
France	6.91½-6.95¼	6.94½-6.95¼	0.20-0.30c dis	−0.43	1.05-1.25dis	−0.66
Sweden	1.05-7.09¾	1.07¾-7.07¾	1.95-2.05ore dis	−2.25	5.65-5.85dis	−3.26
Japan	161.00-162.10	161.30-161.40	0.38-0.31y pm	2.48	0.93-0.88pm	2.23
Austria	15.22¾-16.31½	16.28½-16.29	3-2gro pm	1.87	8-5pm	1.70
Switz.	1.7560-1.7730	1.7665-1.7675	0.31-0.26c pm	1.94	0.82-0.76pm	1.76

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 44.80-44.90.

CURRENCY MOVEMENTS

July 3	Bank of England Index	Morgan Guaranty Change %
Sterling	18.0	−15.2
U.S. dollar	115.6	+4.3
Canadian dollar	78.7	−12.0
Austrian schilling	127.3	+1.1
Belgian franc	95.0	−1.5
Danish Kroner	86.5	−0.0
Deutsche mark	156.8	+15.0
Swiss franc	162.9	+18.1
Guilder	136.0	+9.6
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

July 3	£	$
Finland	7.8180-1.8298	5.0540-5.0560
Greece	157.50-140.36	812.05-011.00
H'kong	12.0725-12.0845	7.8090-7.8110
Iran	180.00*	71.90*
Kuwait	0.4500-0.4810	0.29148-0.29170
Lux'burg	44.40-44.60	68.65-68.75
Malaysia	4.0510-4.0656	0.6190-9.6820
N'Z'land	2.8960-8.8070	1.8870-1.8920
Saudi Ar.	8.7826-0.7980	5.7605-3.7518
Sin'pore	3.3780-3.3830	2.1840-2.1860
S Af. (Cm)	6.8915-3.9180	0.0105-2.5100
S.Af. (Fn)	6.6620-6.9620	4.3010-4.4045
U.A.E.	0.0710-0.6775	3.0780-3.0755

* Selling rate.

STERLING INDEX

	July 3	Previous
8.30 am	76.2	76.3
9.00 am	76.3	76.3
10.00 am	76.3	76.3
11.00 am	76.3	76.3
Noon	76.2	76.4
1.00 pm	76.3	76.4
2.00 pm	76.3	76.5
3.00 pm	76.3	76.4
4.00 pm	76.2	76.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.9284	+0.57	+0.57	±1.5388
Danish Krone	7.91896	7.97222	+0.67	+0.77	±1.6408
German D-mark	2.13834	2.14654	+0.38	+0.48	±1.1702
French Franc	6.96280	6.85413	−1.56	−1.46	±1.3701
Dutch Guilder	2.40935	2.41732	+0.33	+0.43	±1.5081
Irish Punt	0.712956	0.710684	−0.32	−8.22	±1.6649
Italian Lira	1486.21	1473.62	−1.51	−1.61	±4.0765

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

US bonds firm

Trading was more active than many dealers expected on the London International Financial Futures Exchange yesterday. The market was expected to be thin, with Chicago winding down for today's Independence Day holiday, but the June US unemployment figures caused something of a stir, and also considerable confusion. September US Treasury bond futures opened at 99-06, slightly above the previous close, and then held steady around 99-06 to 99-11 for most of the morning. Unchanged credit policy by the West German Bundesbank, at the regular council meeting in Frankfurt, was mildly disappointing, and pushed the price down to the day's low of 99-05. September bonds then recovered to 99-15, before retreating to 99-05 again on news that June unemployment had fallen to 7.1 per cent from 7.3 per cent.

The contract soon met with renewed demand however, when it was announced non-farm employment had fallen by 89,000. September bonds rose to a peak of 99-27, fuelled by an erroneous rumour the Federal Reserve was about to cut its discount rate, before closing at 99-20, compared with 99-03 previously. Eurodollar deposit futures were firm, closing at the day's high of 93.51 for September delivery, against 93.45. Three-month sterling deposits were little changed, but long gilt futures rose as some large traders squeezed bear positions.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	9.01	8.42	—	—	0.13	1.02	—	—
118	8.16	7.10	—	—	0.28	1.34	—	—
120	4.42	5.51	—	—	0.54	2.11	—	—
122	3.19	4.39	—	—	1.31	2.63	—	—
124	2.13	3.38	—	—	2.25	3.62	—	—
126	1.25	2.47	—	—	3.37	6.07	—	—
128	0.52	2.02	—	—	6.00	6.26	—	—
130	0.29	1.31	—	—	6.41	7.56	—	—

Estimated volume total: Calls 825, Puts 574

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	11.44	11.34	—	—	0.04	0.40	—	—
90	9.49	5.55	—	—	0.09	0.61	—	—
92	7.60	8.20	—	—	0.20	1.26	—	—
94	0.15	0.57	—	—	0.39	1.68	—	—
96	4.45	5.41	—	—	1.05	2.47	—	—
98	3.26	4.34	—	—	1.50	3.40	—	—
100	2.22	3.37	—	—	2.46	4.43	—	—
102	1.35	2.50	—	—	3.59	6.56	—	—

Estimated volume total: Calls 40, Puts 55

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

US TREASURY BILLS (IMM)

$1m points of 100%

	Latest	High	Low	Prev
Sept	94.46	94.46	94.38	94.39
Dec	94.48	94.49	94.41	94.41
March	94.32	94.33	94.31	94.28
June	94.08	94.09	94.07	94.01
Sept	93.81	93.82	93.78	93.74
Dec	93.57	93.57	—	93.50
March	93.33	93.33	—	93.28

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5460	1.5419	1.5343	1.5242	1.5066

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept	1.5360	1.5410	1.5355	1.5310
Dec	1.5260	1.5300	1.5250	1.5210
March	1.5150	1.5200	1.5150	1.5100

LIFFE—STERLING

£25,000 $s per £

	Close	High	Low	Prev
Sept	1.5360	1.5400	1.5355	1.5302
Dec	1.5255	—	—	1.5200
March	1.5160	—	—	1.5110

Estimated volume 58 (103)
Previous day's open int 1,231 (1,139)

MONEY MARKETS

Firmer tone in London

Interest rates had a firmer tone on the London money market yesterday, as the Bank of England gave a further indication that an early cut in bank base rates was not welcome. After forecasting a very large day-to-day credit shortage of over £1bn, the authorities did not offer early assistance to the market, but provided most of yesterday's help through a bill repurchase agreement, before lunch, running for more than a month, and signalling further endorsement of the present rate structure. Three-month interbank rose to 9⅞-10 per cent from 9⅞-9⅞ per cent.

The Bank of England initially forecast a money market shortage of £1,100m, but this was revised to £1,250m at noon. Total help of £1,317m was provided.

Before lunch the authorities gave assistance of £934m, including purchases of £250m bills outright, by way of £98m bank bills in band 1 at 9¾ per cent; £135m bank bills in band 2 at 9⅞ per cent; and £17m bank bills in band 3 at 9¾ per cent.

Another £684m bills were bought for resales to the market in equal amounts on August 5 and 6 at rates of 10-10⅛ per cent.

In the afternoon £348m bills were purchased outright, through £87m bank bills in band 2 at 9⅞ per cent; £32m local authority bills in band 3 at 9¾ per cent; and £229m bank bills in band 3 at 9¾ per cent.

Late assistance of around £35m was also provided.

Bills maturing in official bands, repayment of late assistance and a take-up of Treasury bills drained £773m, with Exchequer transactions absorbing £225m; bank balances below target £70m; and a rise in the note circulation another £40m.

In Frankfurt the Bundesbank council meeting decided to leave credit policies unchanged, with the discount rate remaining at 3.5 per cent and the Lombard rate at 5.5 per cent. Mr Karl Otto Poehl, president of the Bundesbank, said after the meeting there would also be no change in this year's 3.5 per cent to 5.5 per cent money stock growth target range. Growth touched 9 per cent earlier this year, but had fallen back to 7 per cent in May. Call money eased to 4.375 per cent from 4.45 per cent on the Frankfurt market, in comfortable conditions, following Wednesday's net inflow of DM 2.2bn from securities repurchase agreements.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8½
Broker loan rate	9
Fed funds	8⅞
Fed funds at intervention	7
Treasury Bills & Bonds	
One-month	5.93
Two-month	8.01
Three-month	6.07
Six-month	8.10
One-year	6.27
Two-year	6.71
Three-year	0.90
Four-year	7.04
Five-year	7.15
Seven-year	7.23
10-year	7.30
30-year	7.18

MONEY RATES

July 3	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.50-4.45	4.50-4.60	4.50-4.60	4.50-4.65	4.55-4.70	5.5
Paris	7⅛	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	7⅞-1⅛	4¾-4⅞	—	4¾-4⅞	—	—
Amsterdam	6½-6⅝	6¼-6⅜	—	6½-6½	—	—
Tokyo	4.59375	4.66625	—	4.71870	—	—
Milan	10⅛-12¾	12-12⅜	—	11⅞-10¼	—	—
Brussels	6.10	7⅛-7¼	—	7⅛-7¼	—	—
Dublin	10-10¼	9⅞-9⅛	9⅞-9⅞	9¼-9⅛	9⅛-9⅞	—

FT LONDON INTERBANK FIXING

(11.00 a.m. July 3)

Three months US dollars		Six months US dollars	
bid 0 ⅞	offer 0 ⅞	bid 8 ⅞	offer 0 ⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 3	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9-11¼	10⅛-10⅞	10¼-10⅛	9⅞-10	9⅞-9⅞	9⅞-9⅞
Sterling CDs	—	—	10⅛-10¼	9¾-9⅞	9⅞-9⅝	9⅛-9⅝
Local Authority Depos	9⅛-10¼	10¼-10⅝	10⅛	9¾-9⅞	9¾	9⅝
Local Author'y Bonds	—	—	10⅛	10¼	10⅛	9¾
Discount Mkt Depos	9-11	10⅛-10⅞	9¾	9¼	—	—
Company Depos	10⅛-11	10⅝-10¾	10¼	10	9¾	—
Finance House Depos	—	—	10¼	10	9⅞	9⅞
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞-9⅞	—
Fine Trade Bills (Buy)	—	—	10⅞	10⅞	10⅞	9⅞
Dollar CDs	—	—	6.85-6.90	6.60-6.65	6.65-6.70	6.65-6.70
SDR Linked Depos	—	—	6⅞-6⅞	6¼-6⅛	6¼-6½	6⅞-6⅞
ECU Depos	—	—	7⅝-7½	7⅞-7⅞	7⅞-7⅞	7¼-7⅞

Treasury Bills (sell): one-month 9⅞ per cent; three months 9¾ per cent. Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate of discount 9.3029 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive) 9.824 per cent.

Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from June 25. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 5½ per cent.

$WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 2, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of July 2 at 11.00 a.m.
3 months: 6⅞ 6 months: 6⅞

ECU=$US.980918 SDR1=$US1.18011
Sibor as of July 2 at 11.00 a.m.
3 months: 6⅞ 6 months: 6⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Greece	Drachma	140.15	Papua New Guinea	Kina	0.9671
Albania	Lek	6.5491	Greenland	Danish Krone	8.129	Paraguay	Guarani (o.c.)	240.00
Algeria	Dinar	4.90	Grenada	E. Caribbean $	2.70		Guarani (d)	673.00
Andorra	French Franc	6.985	Guadaloupe	Franc	6.985	Peru	Intl. (o)	13.95
	Spanish Peseta	139.00	Guam	U.S. $	1.00	Philippines	Peso	20.536
Angola	Kwanza	29.918	Guatemala	Quetzal (o)	1.00	Pitcairn Islands	N.Z. Dollar	1.9006
Antigua	E. Caribbean $	2.70		Quetzal (h, i)	2.80	Poland	Zloty (o)	165.17
Argentina	Austral (Z)	0.895	Guinea Bissau	Peso	170.479	Portugal	Escudo	149.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102[illegible]	100[illegible]	Exch. 14pc 1986	101¼		13.83	9.67
98[illegible]	94[illegible]	Exch 2½pc 1986	98¼		2.54	7.14
102[illegible]	100[illegible]	Exch 13¼pc 1987	102[illegible]xd	+[illegible]	12.98	9.29
100[illegible]	97[illegible]	Treas 10¼pc Cv '87	100[illegible]	+[illegible]	10.21	9.43
97[illegible]	92[illegible]	Exch 2½pc 1987	97[illegible]	+[illegible]	2.57	7.12
101[illegible]	97[illegible]	Exch 10½pc 1987	100[illegible]	+[illegible]	10.43	10.43
98[illegible]	93[illegible]	Funding 6½pc '85-87‡‡	98[illegible]	+[illegible]	6.61	6.81
101[illegible]	96[illegible]	Treas 10pc 1987	100[illegible]	+[illegible]	9.95	9.00
97[illegible]	90[illegible]	Treas 3pc 1987	96[illegible]xd	+[illegible]	3.12	6.98
104[illegible]	99[illegible]	Treas 12pc 1987	103[illegible]	+[illegible]	11.64	9.37
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	98[illegible]xd	+[illegible]	7.90	9.20
104	96[illegible]	Exch 10½pc '88	102[illegible]	+[illegible]	11.27	9.16
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	101[illegible]	+[illegible]	9.66	9.20
94[illegible]	86[illegible]	Transport 3pc '78-88	92[illegible]xd	+[illegible]	3.24	7.10
102[illegible]	93[illegible]	Treas. 9½pc '88	100[illegible]	+[illegible]	9.45	9.22
107[illegible]	98[illegible]	Treas 11½pc 1989	105[illegible]	+[illegible]	10.95	9.27
103[illegible]	93[illegible]	Treas 9½pc Cnv. '89	101[illegible]	+[illegible]	9.40	9.07
92[illegible]	82[illegible]	Treas 3pc 1989	89[illegible]	+[illegible]	3.35	7.06
105[illegible]	95[illegible]	Treas 10½pc 1989	103[illegible]	+[illegible]	10.18	9.23
104[illegible]	94[illegible]	Exch 10pc 1989	102[illegible]xd	+[illegible]	9.79	9.20
107[illegible]	97	Exch 11pc 1989	105[illegible]	+[illegible]	10.49	9.21
93[illegible]	84[illegible]	Treas 5pc 1986-89	91[illegible]	+[illegible]	5.46	7.94
110[illegible]	94[illegible]	Exch 10¼pc Cv '89	106[illegible]	+[illegible]	9.66	8.09
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	111[illegible]xd	+[illegible]	11.68	9.17
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	105[illegible]	+[illegible]	10.43	9.18

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

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NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

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PROPERTY—Continued

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SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

Albany Inv 20p	68xc	Fin 13% 97/02	£122¾
Craig & Rose £1	£13	Arnotts	317
Finlay Pkg. 5p	43	CPI Hldgs	43
Holt (Jos) 25p	800	Carrol Inds	150xd +10
Total Sim. £1	87	Dublin Gas	53
		Hall (R & H)	72
IRISH		Heiton Hldgs	30
Fund 11¼% 1986	£103¼	Irish Ropes	109xd
Nat 9¾% 84/89	£101	Unidare	198

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Fresh Gilt-edged advance contrasts with drab Morgan Grenfell debut

Government stocks continued to relish their freedom from capital gains tax and longer maturities achieved good rises for the second consecutive session in London. Investors ignored UK money market trends, where short-term rates for credit hardened again, and pinned their hopes on either Japan or America initiating next week a fresh round of international discount rate cuts.

Overseas buying was evident but most of the demand came from domestic sources. Switching operations were considerable as the institutions revised investment portfolios to take advantage of the better yields offered by longer-dated Gilts. Official supplies of yet another £150m taplet were exhausted. Treasury 8¾ per cent 1997 running out at 96¾. No bids were made for Treasury 10 per cent 1992, the remaining taplet of the trio issued last Friday, and this illustrated the tendency to fund longer.

Sterling/dollar considerations supported the market which shrugged off small reactionary attempts to close at the day's highest levels. Selected longs were then sporting gains ranging to 1¼ while the shorts were around ⅛ higher; some convertible issues scored heavier rises. Index-linked were subdued and often drifted to slightly lower levels.

Interest elsewhere centred on Morgan Grenfell, the merchant bank which is developing its financial services arm. Following early behind-the-scenes consultations, the shares began life at 516p. At this level the premium was much less than had been anticipated and a put-through was twice withdrawn before being effected at about 513p. Shortly afterwards the scene turned sour and in sensitive trading Morgan Grenfell dropped to 480p before steadying to close at 485p, a discount of 15 on the 500p striking price. Other merchant banks were adversely affected and sustained falls extending to 38p.

An air of disappointment gradually enveloped other market sectors. Small early improvements brought about by Wall Street's continued surge to record heights were given up as potential buyers returned to the sidelines. The upshot was that the FT Ordinary share Index closed 0.9 down on the session at 1,365.7, after having been 2.5 up earlier.

Merchant banks reflected disappointment with the Morgan Grenfell market debut, while sentiment was also clouded by vague rumours of a possible rights issue from within the sector. Mercury International came back a further 38 to 770p and Kleinwort Benson gave up 25 to 810p. Brown Shipley were 15 lower at 535p, Hill Samuel 10 down at 400p and Schroders 50 cheaper at 725p. J. Rothschild settled 9 off at 126p and Joseph Leopold gave up 20 at 500p. The major clearers were hardly tested and closed virtually unchanged. Among HPs, Cattles found support at 58p, up 2.

Lloyds brokers displayed a couple of contrasting features. Willis Faber, which holds a sizeable stake in Morgan Grenfell, encountered scrappy selling and dipped to 419p prior to closing a net 16 down at 424p. C. E. Heath, however, gained 12 to 552p, after 558p, following the annual meeting. PWS were supported and rose 28 to 348p.

The three newcomers to the Unlisted Securities Market managed modest premiums. Chelsea Man fared best, closing at 135p compared with the placing price of 126½p. Space Planning opened at 106p and ended at 102p against the placing price of 99p. Building group Ford and Weston traded at a discount at one stage before closing at 88p, a couple of pence above the placing price of 86p. Wednesday's highly successful market newcomer Thames TV encountered persistent profit-taking and settled 6 off at 224p.

Recently-firm leading Buildings took a breather with one or two issues succumbing to light profit-taking. Barratt Developments slipped 4 to 146p and George Wimpey lost the same amount to 21lp. Costain, however, continued to trade firmly and edged up a couple of pence to 574p, while Tarmac were a shade better at 482p. Elsewhere, there was a late flurry of buying activity in Countryside Properties which closed a net 25 up at 455p reflecting contract hopes and talk of a broker's recommendation. Heywood Williams attracted support ahead of the results expected soon and firmed 8 to 238p, while Tilbury Group gained 6 to 162p on news that aggregate funds under discretionary management of John Govett had increased their stake to 23.66 per cent of the equity. Conder gained 4 more to 102p in a restricted market and Wilson (Connolly) rose 9 to 266p in similar circumstances. On the other hand, profit-taking lowered Sheffield Brick 4 to 24p and clipped a similar amount from Wiggins at 55p. Manders gave up another 6 at 292p and stock Johnsen slipped 4 to 180p.

Stores subdued

Leading Retailers traded in subdued fashion with most content to drift gently easier for want of attention. Dixons gave up 6 more to 324p, while Woolworth dipped 5 to 675p. A rare exception was provided by Storehouse, finally 7 to the good at 340p. Persistent talk of a bid from GUS saw Harris Queensway up to 270p at one stage, but the lack of follow-through demand left the close only 2 up on balance at 262p.

Leading Electricals, a relatively depressed area since the announcement of preliminary figures from GEC and Ferranti earlier in the week, showed few signs of staging a worthwhile rally. However, GEC, down to 204p at one stage, recovered in the late dealings to finish 4 off on balance at 208p. Ferranti eased 2 more to 108p, while Racal ended a similar amount cheaper at 184p. In contrast, Thorn EMI, preliminary figures expected next Thursday, put on 8 to 482p. Elsewhere, Kode, which announced good interim results on Tuesday, met with a revival of demand and put on 10 to 285p. Dealings were suspended in H.B. Electronic at 78p pending an announcement.

Engineerings passed a relatively quiet trading session. Among the occasional features, Davy Corporation advanced to 124p before closing 9 higher on the day at 121p following the better-than-expected preliminary figures. McKechnie, in contrast, dipped 15 to 260p as hopes of a rival offer to the Evered bid faded. Renewed activity was seen in Wheway Watson which advanced 4½ more to 34½p, while Thomas Robinson were also noteworthy for a gain of 10 at 343p.

The undertone in the Food sector remained firm and the leaders managed modest progress. ASDA-MFI were a good market and closed 2 dearer at 144p, while J. Sainsbury continued to reflect the chairman's confident statement at the annual meeting and hardened a couple of pence more to 392p. Bejam touched 184p before closing 2 better at 183p reflecting persisting takeover hopes. Normans hardened a fraction to 60½p, the optimistic statement compensating for the disappointing annual results. Elsewhere, Fitch Lovell firmed 5 to 285p in reply to the good preliminary figures and Christian Salveson improved 3 to 159p. S. and W. Berisford slipped 3 to 229p; Ferruzzi of Italy's proposed acquisition of Berisford has been referred to the Monopolies Commission. Meadow Farm firmed 5 to 230p; the company is considering at least matching Hillsdown Holdings' offer for North Devon Meats. Hillsdown shed 5 to 290p.

Trusthouse Forte remained on offer in the wake of the disappointing half-timer and the close was 7 down at 161p, a two-day fall of 13. Elsewhere in the Hotel sector, Norscot firmed 5 to 115p on takeover rumours.

Hanson improve

Among the miscellaneous industrial leaders, Hanson Trust came to life amid rumours that the company is about to sell Courage the brewers and closed 5 higher at 188p, after touching 190p at one stage. Glaxo revived with a rise of ¼ to £10¼, while demand persisted for Beecham which closed 7 up at 440p, after 443p. Buyers were again active in Reed International, up ⅛ more at £10⅛, ahead of the proposed share split. Elsewhere, Reed Executive continued to make headway following the recent good preliminary figures and put on 18 more to 341p. BET moved up 18 to 438p as the company declared its offer for Shorrock unconditional, while bid speculation persisted in Pearson which closed 15 to the good at 600p. Pentland Industries, still benefiting from the chairman's annual statement and the proposed ADR facility in the US, advanced ⅛ more to a new peak for the year of £10. Takeover speculation left Nolton 6 up at 52p, but Dwek were the subject of further profit-taking and reacted 10 to 120p. Persistent buying prompted a rise of 8 to 144p in Waterford Glass, while T. Marshall Loxley were again the subject of speculative activity and put on 8 further to 136p. Acquisition news left Scott Greenham a similar amount dearer at 141p and Alexander Russell hardened a few pence to 101p in response to the preliminary figures. Sketchley closed 11 higher at 461p; it was announced yesterday that Mercury Warburg Investment Management and Rowan-Mullens Investment Management have increased their stake in the company to 19.08 per cent.

Confirmation that Music Sales had withdrawn its proposals for a £9.6m takeover of Boosey and Hawkes following opposition from B and H's major shareholder, Carl Fischer, with 50.1 per cent of the equity, left Boosey and Hawkes a further 35 down at 155p. Among other Leisure issues Aspinall Holdings improved late in the session to close 7 firmer at 144p, following speculative support. Chrysalis jumped 15 to 188p, a two-day gain of 25, reflecting persistent demand in a thin market, while Pleasurama rose 3 more to 303p, still boosted by recent Press comment.

Jaguar again encountered substantial demand, much of which emanated from the US, and attained a new high of 578p—a gain of 10 on the session and 38 so far this week—following reports of increased US sales and consideration of the potential of the new XJ40 model. Elsewhere in Motors, ERF advanced 15 more to 115p reflecting fresh support in the wake of a newsletter recommendation. Among Distributors, buyers returned for Western Motor, finally 22 up at 225p, with the "A" shares 5 dearer at 168p.

Associated Paper Industries advanced 7 more to 253p on further reflection of the Tenza acquisition. John Waddington, a buoyant market recently following impressive results and the proposed scrip issue, rose 15 to 945p. Elsewhere, Boase Massimi Pollitt, the advertising agency, eased 1½ to 278p ex-the-rights issue; the new nil-paid were quoted at 25p premium.

Trading statements prompted a couple of contrasting features in the Property sector. Daejan fell 45 to 705p on disappointment with the preliminary figures, but Mountleigh responded to the excellent preliminary profits with a rise of 15 to 920p. Elsewhere, Stewart Nairn attracted support and rose 2 to 17½p, while Property Trust hardened ½ to 5½p on news that a group of private investors had acquired a 6.1 per cent stake at 4½p per share; Braemar Investments recently acquired a 16.5 per cent holding in Property Trust. Buyers returned for Abaco which touched 88p prior to closing a couple of pence dearer at 87p, while Egerton Trust edged to 53p, the latter following Press comment. Marler Estates settled 5 cheaper at 500p; Glen International has increased its stake to 5.61 per cent.

Selected Textiles responded to revived speculative demand. Harold Ingram, in receipt of favourable comment recently, touched 210p before settling 20 up on balance at 200p; the company later stated that it is not currently involved in negotiations with another party. Sanderson Murray and Elder were wanted at 108p, a gain of 8, while Burmatex, scheduled to reveal interim figures towards the end of the month, hardened a few pence to a new peak of 174p. Sekers International, dull recently following "take-profits" advice, rallied 6 to 116p. In contrast, profit-taking in the wake of the interim results left Allied Textile 10 cheaper at 325p.

Among Tobaccos, Bats improved 10 to 416p following news of further US store sales. Rothmans International hardened a couple of pence to 161p, after 163p, on the news of the sale of its stake in Rowenta-Werke to Chicago Pacific.

Asset injection prospects in the wake of the bid from Management Group stimulated revived support for "shell" situation Authority Investments, 20 up for a gain of 85 so far this week at 370p. Aitken Hume were volatile, touching 165p before reverting to unchanged at 156p as ing to be unchanged at 156p as Tranwood effectively gained control.

Oils lower

Weakness in oil prices in the US overnight followed through into London and oil shares came under increasing pressure. Shell retreated 8 to 780p, BP 7 to 583p and Britoil 5 to a year's low of 155p. LASMO dropped 9 to 103p. More modest falls were seen in Ultramar, 5 cheaper at 173p, and Tricentrol which drifted back 2 to 50p. Secondary oils were largely ignored.

Interim profits from Lonrho fell well short of market estimates, but the shares, underpinned by persistent takeover speculation settled only 6 lower at 255p. Thomas Borthwick hardened a couple of pence to a 1986 peak of 56p; the company recently announced that it was involved in discussions concerning the possible disposal of part of its Australian meat processing business.

South African mining markets made progress during the morning, reflecting modest Continental buying interest fuelled by an initial rise in the Financial Rand to around 24 cents. However, a gradual decline in the Rand and persistent small selling from the US ahead of Independence Day left most issues well below the day's best levels and generally little changed on balance. The Gold Mines index showed a 1.2 rise at 199.4.

UK Financials drifted easier on lack of interest. Consolidated Gold Fields retreated 10 to 445p while Rio Tinto-Zinc, a firm market in recent days following a chart buy signal, gave up 5 to 620p. Hampton Areas held at 148p. Metals Exploration

Another slump by the Australian dollar and a further severe shakeout in overnight domestic stock markets prompted a widespread mark-down of Australian issues at the outset of trading in London. Mining stocks, which largely escaped the mauling in Sydney and Melbourne, were marked down along with other Australian issues but picked up well during the afternoon. CRA, initially marked down to 236p, closed unchanged on balance at 243p, while Western Mining, down to a 1986 low of 115p early on, rallied to close a shade firmer at 122p. Peko-Wallsend fell 8 to 209p, Gold Mines of Kalgoorlie 15 to 345p and Sons of Gwalia 5 to 171p.

FINANCIAL TIMES STOCK INDICES

	July 3	July 2	July 1	June 30	June 27	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	91.24	90.74	90.43	90.34	90.84	82.07	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.00	96.86	96.78	96.71	96.95	86.85	97.51 (22/4)	86.55 (2/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1365.7	1366.6	1373.7	1367.1	1354.4	951.9	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	199.4	198.2	204.2	202.5†	198.5	405.7	357.0 (27/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.04	4.04	4.02	4.04	4.08	4.86				
Earnings Yld.%(full)	9.67	9.69	9.64	9.69	9.77	12.18				
P/E Ratio (net) (*)	12.59	12.57	12.62	12.56	12.46	10.03				
Total Bargains (Est)	25,289	24,287	24,219	23,418	26,420	19,469				
Equity Turnover £m.	—	700.01	702.19	507.81	666.58	322.62				
Equity Bargains	—	28,883	24,099	23,105	26,054	14,912				
Shares Traded (ml).	—	343.5	290.4	250.3	293.9	159.6				

S.E. ACTIVITY

Indices	July 2	July 1
Gilt Edged Bargains	146.3	106.2
Equity Bargains	187.1	156.1
Equity Value	1,414.9	1,419.3
5-Day Average		
Gilt Edged Bargains	119.4	116.4
Equity Bargains	162.4	157.8
Equity Value	1,298.2	1,229.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1367.3	1368.7	1368.4	1366.3	1365.5	1364.9	1365.0	1365.7

Day's High 1369.1. Day's Low 1364.9. †Cum. div. 205.9.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=12.14.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday July 3 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Weds July 2 Index No.	Tues July 1 Index No.	Mon June 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (213)	746.21	−0.2	8.10	3.28	15.76	9.06	747.81	749.82	747.41	491.10
2	Building Materials (26)	828.86	—	8.23	3.46	15.38	11.47	829.26	824.89	812.84	496.59
3	Contracting, Construction (30)	1278.13	−0.2	7.40	3.57	18.31	18.81	1280.78	1270.87	1245.77	743.51
4	Electricals (12)	1918.38	−0.3	7.57	3.97	17.53	33.82	1924.51	1913.26	1907.60	1322.45
5	Electronics (38)	1679.59	−0.9	9.06	2.81	14.72	11.76	1695.08	1727.83	1747.32	1266.12
6	Mechanical Engineering (62)	420.84	+0.1	9.06	3.80	14.05	6.40	420.30	421.35	419.02	285.33
8	Metals and Metal Forming (7)	377.94	−0.8	7.46	3.77	16.62	5.01	380.80	377.23	372.19	185.04
9	Motors (16)	322.48	+0.3	8.17	3.00	14.25	3.78	321.42	320.57	317.12	160.37
10	Other Industrial Materials (22)	1329.88	+0.1	6.17	2.99	19.51	16.09	1328.64	1327.45	1331.60	927.89
21	CONSUMER GROUP (183)	947.42	+0.3	7.54	3.09	16.69	11.89	944.12	946.64	942.07	644.19
22	Brewers and Distillers (22)	951.62	−1.1	9.07	3.37	13.46	11.16	962.62	975.21	989.31	607.56
25	Food Manufacturing (22)	700.70	+0.2	9.02	3.72	14.51	11.43	699.35	700.31	701.36	492.78
26	Food Retailing (15)	1846.89	+0.9	6.22	2.73	21.94	16.08	1830.85	1824.63	1814.99	1494.50
27	Health and Household Products (10)	1621.73	+1.5	5.15	2.13	22.89	11.71	1597.91	1595.86	1592.55	1050.67
29	Leisure (26)	911.77	−0.4	7.56	3.87	16.52	14.13	915.56	922.32	907.59	622.92
32	Publishing & Printing (14)	2639.53	+1.1	7.28	3.79	17.73	47.27	2609.71	2585.78	2577.04	1703.32
33	Packaging and Paper (14)	491.01	—	6.69	3.23	19.47	6.75	490.80	495.35	491.36	328.02
34	Stores (41)	906.81	−0.1	6.61	2.73	20.53	10.41	907.97	909.15	890.75	617.06
35	Textiles (17)	571.82	—	9.03	3.38	12.81	8.01	571.62	574.78	569.57	327.45
36	Tobaccos (2)	1165.62	+2.4	12.23	4.20	9.16	28.60	1138.38	1149.36	1144.49	851.52
41	OTHER GROUPS (87)	808.43	+0.2	8.33	3.87	15.43	8.33	806.58	805.87	798.05	647.65
42	Chemicals (20)	929.26	—	9.53	4.36	12.33	17.41	923.82	928.50	923.30	722.25
44	Office Equipment (4)	254.81	+0.3	7.29	3.99	16.58	4.59	254.02	257.45	256.45	167.12
45	Shipping and Transport (12)	1520.94	−0.4	7.70	4.13	16.38	25.72	1527.32	1517.09	1488.34	1079.84
47	Telephone Networks (2)	873.49	−0.5	9.78	4.21	14.08	2.53	878.98	883.40	882.87	795.25
48	Miscellaneous (49)	1108.24	+1.5	6.00	3.66	20.89	11.65	1091.87	1083.22	1064.64	805.46
49	INDUSTRIAL GROUP (483)	870.66	+0.2	7.87	3.33	16.13	10.36	869.15	870.74	866.11	611.53
51	Oil & Gas (17)	1203.68	−1.2	17.00	7.51	7.64	41.46	1218.42	1221.57	1228.31	1130.22
59	500 SHARE INDEX (500)	900.83	—	8.81	3.75	14.35	12.81	900.56	902.28	898.48	654.96
61	FINANCIAL GROUP (117)	621.98	−0.4	—	4.29	—	11.80	624.72	624.38	617.23	467.12
62	Banks (7)	663.19	−0.1	16.64	5.31	8.34	14.03	663.75	663.45	655.14	490.18
65	Insurance (Life) (9)	898.53	−0.6	—	4.16	—	17.27	903.53	905.82	882.84	718.32
66	Insurance (Composite) (7)	495.89	+0.2	—	4.32	—	9.46	495.14	493.43	488.33	362.45
67	Insurance (Brokers) (9)	1177.82	−0.8	8.87	4.05	14.74	23.40	1186.90	1186.52	1184.86	1043.89
68	Merchant Banks (12)	372.15	−2.7	—	2.92	—	4.56	382.52	390.22	389.10	226.31
69	Property (50)	804.50	−0.2	5.39	3.40	24.57	10.42	805.95	802.83	798.51	596.05
70	Other Financial (23)	353.62	−1.1	7.76	4.34	15.64	4.37	357.70	354.84	351.58	269.54
71	Investment Trusts (103)	767.27	+0.3	—	2.97	—	9.54	764.88	762.83	759.18	568.48
81	Mining Finance (3)	274.02	−1.2	13.07	5.82	8.92	6.11	277.40	274.56	270.06	265.52
91	Overseas Traders (14)	699.87	−0.7	10.64	5.91	10.96	19.57	704.54	707.32	696.69	627.80
99	ALL-SHARE INDEX (737)	818.87	—	—	3.84	—	12.18	819.29	820.28	815.70	602.13

	Index No.	Day's Change	Day's High	Day's Low	July 2	July 1	June 30	June 27	June 26	Year ago
FT-SE 100 SHARE INDEX ◊	1656.2	−0.5	1660.3	1653.7	1656.7	1660.8	1649.8	1639.1	1637.5	1249.1

FIXED INTEREST

	PRICE INDICES	Thurs July 3	Day's change %	Weds July 2	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	123.33	+0.26	123.01	—	6.07
2	5-15 years	143.60	+0.60	142.74	—	6.90
3	Over 15 years	151.63	+0.93	150.24	—	7.29
4	Irredeemables	169.36	+0.56	168.42	—	7.27
5	All stocks	139.33	+0.55	138.57	—	6.75
	Index-Linked					
6	5 years	112.91	+0.11	112.78	—	1.18
7	Over 5 years	116.72	−0.09	116.82	—	1.64
8	All stocks	116.02	−0.05	116.08	—	1.55
9	Debentures & Loans	120.04	+0.12	119.90	—	5.82
10	Preference	86.63	−0.05	86.68	—	3.58

	AVERAGE GROSS REDEMPTION YIELDS		Thurs July 3	Weds July 2	Year ago (approx.)
	British Government				
1	Low	5 years	7.79	7.87	10.25
2	Coupons	15 years	8.92	9.00	10.56
3		25 years	8.97	9.06	10.21
4	Medium	5 years	9.18	9.22	11.35
5	Coupons	15 years	9.22	9.32	10.87
6		25 years	9.22	9.32	10.38
7	High	5 years	9.23	9.37	11.43
8	Coupons	15 years	9.38	9.48	11.04
9		25 years	9.27	9.36	10.57
10	Irredeemables†		8.84	8.88	9.97
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.93	3.97	0.8
12	Inflat'n rate 5%	Over 5 yrs	3.48	3.47	0.9
13	Inflat'n rate 10%	5 yrs	2.73	2.77	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.32	3.31	0.0
15	Debs &	5 years	10.02	10.03	11.91
16	Loans	15 years	10.29	10.31	11.73
17		25 years	10.35	10.37	11.55
18	Preference†		10.57	10.56	12.40

◊Opening index 1658.3; 10 am 1660.0; 11 am 1659.2; Noon 1655.8; 1 pm 1654.5; 2 pm 1653.7; 3 pm 1654.0; 3.30 pm 1655.7; 4 pm 1655.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (123)

LOANS (1)
AMERICANS (5)
BANKS (1)
BUILDINGS (9)
CHEMICALS (2)
STORES (7)
ELECTRICALS (6)
ENGINEERING (6)
FOODS (5)
HOTELS (1)
INDUSTRIALS (23)
INSURANCE (1)
LEISURE (3)
MOTORS (3)
NEWSPAPERS (1)
PAPER (7)
PROPERTY (11)
SHIPPING (1)
TEXTILES (3)
TRUSTS (23)
OILS (2)
OVERSEAS TRADERS (1)
PLANTATIONS (1)
MINES (23)

NEW LOWS (53)

AMERICANS (3) Amax, Crown Zellerbach, Derma-Lock Medical.
BANKS (2) ANZ, Westpac.
BUILDINGS (1) Jennings.
ELECTRICALS (5) British Telecom, Ferranti, Memec, Motorola, Unitech.
INDUSTRIALS (2) CSR, China Light.
LEISURE (1) Saga Holidays.
PAPER (2) Crown Intr. Productions, Wetmoughs
PROPERTY (2) HK Land, Regentcrest.
SOUTH AFRICANS (1) OK Bazaars.
TRUSTS (3) Independent Inv., North Sea Assets, National Home Loans.
OILS (3) Sntell, Caledonian Offshore Crusader, Enterprise Oil, Genoa Res. and Inv., LASMO, Moonie Oil, Sentoe.
MINES (23)

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Dunbar & Co	10	Financial & Gen. Sec.	10
Allied Irish Bank	10	First Nat. Fin. Corp.	11
American Express Bk.	10	First Nat. Sec. Ltd.	11
Amro Bank	10	● Robert Fleming & Co.	10
Henry Ansbacher	10	Robert Fraser & Ptrs.	11
Associates Cap Corp.	10	Grindlays Bank	‡10
Banco de Bilbao	10	● Guinness Mahon	10
Bank Hapoalim	10	● Hambros Bank	10
Bank Leumi (UK)	10	Heritable & Gen. Trust	10
Bank Credit & Comm.	10	● Hill Samuel	§10
Bank of Cyprus	10	C. Hoare & Co.	10
Bank of Ireland	10	Hongkong & Shanghai	10
Bank of India	10	Knowsley & Co. Ltd.	10½
Bank of Scotland	10	Lloyds Bank	10
Banque Belge Ltd.	10	Mase Westpac Ltd.	10
Barclays Bank	10	Meghraj & Sons Ltd.	10
Benchmark Trust Ltd.	10	Midland Bank	10
Beneficial Trust Ltd.	11	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd.	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd.	10	Northern Bank Ltd.	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	11
Citibank NA	10	Provincial Trust Ltd.	11
Citibank Savings	¶10¾	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd.	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk.	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp.	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Equatorial Tst Corp. plc.	10	Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]							
NEDL C FL180	31	0.90	3	7.20	—	—	
NEDL P FL170	—	—	27	6.80	—	—	
NATN C Fl.85	55	2.50	18	5.70	15	9A	Fl.86.40
NATN P Fl.85	100	0.50	14	3.10	—	—	
PHIL C Fl.60	—	—	266	1.60	345	2.80	Fl.52.40
PHIL P Fl.60	394	7.40	34	7.50	26	7.70	
RD C Fl.200	843	1.10	398	6.10	91	10	Fl.195.20
RD P Fl.190	294	0.50	562	5	173	6.30	
UNIL C Fl.500	543	6	295	22.50	38	33.50	Fl.495.50
UNIL P FL480	79	2	80	9.50	25	14.80	

TOTAL VOLUME IN CONTRACTS: 31,781

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 23	July 4	Sept 25	Oct 6
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3

For rate indications see end of Unit Trust Service

Active conditions prevailed in Options with calls struck in Abaco, Harold Ingram, Property Trust, Argyle Trust, Western Selection, Ryan International, Brengreen, Allebone, Wheway Watson, United Scientific, Intervision Video 7 per cent Convertible, Brent Walker, Buckleys Brewery, Highland Distilleries, Silentnight, Berkeley and Hay Hill, Sheraton Securities, Morgan Grenfell, ERF, Western Motor A, Rockware, Camford Engineering, Phoenix Properties, Hobson, Pressac, Blacks Leisure and Aesis. No puts were done, but doubles were arranged in Johnson and Firth Brown and Rock.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Abaco Invs	87	+ 2	Morgan Grenfell	485	—
Aitken Hume	156	—	Scott Greenham	141	+ 8
BAT Inds	416	+10	Storehouse	340	+ 7
De Beers Defd.	414	+ 4	Thames TV	224	− 6
Heath (C. E.)	552	+12	Trusthouse Forte	161	− 7
Lonrho	255	− 6	Warrior Resources	52	+ 6

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
Thames TV	27	230	—	GEC	15	212	− 8
ERF	18	100	+10	Glaxo	15	£10¼	+ 0¼
RTZ	18	625	+13	ICI	15	£10¼	—
Trusthouse F.	17	168	− 8	Woolworth	15	680	−30
Abaco Invests.	16	85	− 2	Lister	14	115	+ 6
Brit. Aerospace	15	510	−20	Raine Industs.	14	75	− 4

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	101	6	5
Corporations, Dominion and Foreign Bonds	19	2	50
Industrials	379	256	[illegible]
Financial and Properties	118	71	389
Oils	11	28	80
Plantations	3	0	12
Mines	21	66	98
Others	81	67	102
Totals	683	496	1,650

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*336)	300	40	55	65	1	6	10
	330	15	35	47	8	20	23
	360	4	18	50	38	35	40
B.P. (*583)	500	88	102	135	1	6	10
	550	38	60	77	4	17	22
	600	7	25	42	23	[illegible]	[illegible]
Cons. Gold (*442)	420	32	50	64	3	[illegible]	[illegible]
	460	0	27	42	33	[illegible]	[illegible]
	500	3	12	23	60	[illegible]	[illegible]
Courtaulds	260	46	54	62	1	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
P. & O. (*518)	460	67	80	—	3	6	—
	500	37	55	60	6	18	25
	550	12	25	40	38	45	55
	600	3	12	—	85	88	—
Racal (*184)	180	17	24	32	8	10	14
	200	9	13	22	20	24	26

July 2. Total contracts 20,456. Calls 13,295. Puts 7,161.
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm July 3

[illegible]

MONTREAL

Closing prices July 2

[illegible]

NEW YORK

[illegible]

Indices

TORONTO	July 3	July 2	July 1	June 30	1986 High	1986 Low
Metals & Minls	2,087.3*	2,106.7	c	2,106.2	2,442.85 (21/3)	2,026.3 (21/5)
Composite	3,094.5*	3,099.5	c	3,085.3	3,129.11 (18/4)	2,754.2 (17/2)
MONTREAL Portfolio	1,557.52*	1,561.33	c	1,562.18	1,623.33 (16/4)	1,388.8 (22/1)

* Indicates pre-close figure

** Saturday June 28. Japan Nikkei 17547.42. TSE 1350.65

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 41

[illegible]

Management buys out Textron tools unit

BY NICK GARNETT IN LONDON

THE MANAGEMENT of the machine tools division of Textron, the US manufacturing and financial services group, yesterday completed the purchase of the business for an undisclosed sum.

The new company will be known as Bridgeport Machines, based in Connecticut. Its British manufacturing operations centred in Leicester and Bridlington is a wholly owned subsidiary.

The new company, which employs 2,500 and as the Textron machines division had a turnover last year of $180m, was put together by a management team and E.F. Hutton, a Wall Street brokerage and financial services group.

Mr Joe Clancy, who was president of Textron's machine tool business, will be president of the new company which makes machining centres and milling machines.

Bridgeport's British operation claims to be the biggest machine-tool producing company in the UK in both volume and cash turnover.

Textron's machine-tool operations are one of a number of companies Textron has been selling off as part of a debt reduction exercise in the wake of its purchase last year of the AVCO group.

Shell Chemicals takes electronics stake

BY TONY JACKSON IN LONDON

SHELL Chemicals has made its first move into the manufacture of electronic components, taking a 20 per cent stake in the Italian manufacturer MAS for an undisclosed sum.

MAS claims to be Europe's second-biggest maker of epoxy glass fibre laminates for printed circuit boards. The biggest is Isola of West Germany.

The venture brings Shell into line with other chemical giants such as Du Pont of the US and ICI of the UK.

Electronic chemicals are seen by the industry as being one of the most promising growth areas for the next century, and chemical companies are forming links with electronics manufacturers to bring themselves closer to the marketplace.

MAS, based in Florence, has two plants in Italy, one in Belgium and one in the UK. It has sales of L110bn ($73m) and earnings of L5.4bn. Its share capital is to be increased from L5bn to L15bn, the new shareholders being Shell Italia and two Italian-based groups, Societa Metallurgica Italiana (SMI) and Falck Acciaierie Ferriere.

US grocery chain reports higher profits

By Our Financial Staff

BOOSTED by extraordinary gains, Great Atlantic and Pacific Tea, the US grocery chain controlled by the Tengelmann retailing group of West Germany, reports higher net profits for the first quarter of 1985.

On sales of $2.1bn for the quarter, up from $1.9bn, earnings have emerged at $28.7m, against $26.7m. The company said yesterday that it expected sales and profits over the next three years to show above-average growth.

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
Tr 11¾ 91	£ 109⁵⁄₁₆	+£⅞
Tr 13½ 04-08	£136¾	+£1¾
Authority Invs	370	+20
BET Defd	438	+18
Barr (A.G.)	332	+22
Beecham	440	+ 7
Chrysalis	188	+15
Davy Corp	121	+ 9
ERF	115	+15
Hanson Trust	188	+ 5
Heath (C.E.)	552	+13
Heywood Wms	238	+ 8
Ingram (Harold)	200	+20
Jaguar	578	+10
Mountleigh	920	+15
Pearson	600	+15
Reed Executive	341	+18
Reed Intl	£10¼	+£½
Sketchley	461	+11
Waterford Glass	144	+ 8
Western Motor	225	+22

FALLS		
Daejan	705	−45
Hill Samuel	400	−10
Klein, Benson	810	−25
LASMO	103	− 9
Lonrho	255	− 6
Mercury Intl	770	−38
Thames TV	224	− 6
Trusthouse Fte	161	− 7
Willis Faber	424	−16

Prices at 3pm, July 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	12	AAR			23	360	[illegible]	25½	25¾	
30	21¼	ADT	.92	3.6		30	26¼	25¾	25¾	[illegible]
[illegible]	11	AFG s			21	245	32⅞	32⅝	32⅞	
29¼	13¼	AGS			15	414	21	20⅞	20⅞	[illegible]
[illegible]	9	AMCA				6	12	12	12	
[illegible]	[illegible]	AMR			11	1438	54¾	53¾	54	[illegible]
[illegible]	19	ANR pf 2.12		9.7		2	21⅞	21⅞	21⅞	[illegible]
12	7	APL			6	1	11⅝	11⅝	11⅝	[illegible]
16	11⅛	ARX	.711	5.7	11	275	12⅞	12½	12½	[illegible]
51	30	ASA	2a	6.7		605	30⅛	d29¾	29⅞	[illegible]
18¼	10½	AVX		2.4		206	13½	13⅛	13⅛	[illegible]
32	22¾	AZP	2.72	9.2	8	768	29½	29¼	29½	
55	26¾	AbtLb s .84		1.6	27	2494	54⅝	53⅝	54⅛	[illegible]
32	19¾	AccoWd .56		2.0	19	199	28½	28¼	28½	
17¼	10	AcmeC .40		3.6		95	11½	10¾	11⅛	[illegible]
9¼	7	AcmeE .32b		4.1	19	127	7⅞	7⅝	7¾	
20¼	17	AdaEx 1.90e		9.3		112	20⅜	20¼	20⅜	[illegible]
33¼	16	Admiral .40		1.2	15	222	32¼	32⅛	32¼	
20⅝	11	AdvSys .83t		4.5	17	68	18½	18	18⅝	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
72¼	45¾	Xerox	3	5.3	13	1728	57⅝	58	50⅛	−1¼
30¼	53½	Xerox pf5 45		9.7		5	56⅛	30⅛	55⅛	
28¾	20⅝	XTRA	.64	2.7		41	23⅝	23⅛	23⅝	
17⅜	13½	Yorkln n				168	16⅞	16½	16½	−¼
39	28¼	ZaleCp	1.32	3.5		66	37⅞	37⅝	37¾	+⅜
10⅝	8½	Zapata	.03j			280	5	4¾	4⅞	
43⅞	23⅞	Zayre s	.32	.8	26	1029	43½	42	42	−1½
17	11⅝	Zemex	.40	3.0	14	1	13⅛	13⅛	13⅛	−¼
29⅞	18¼	ZenithE				957	24½	23⅞	24¼	+¼
18¼	8⅝	ZenLb s			20	3028	15⅞	14⅞	15⅛	−½
22⅝	14⅝	Zero s	.20	1.6	17	269	18⅛	17⅞	18	−⅛
45¾	32¼	Zurnin	1.32	3.5	13	677	38⅛	37½	37½	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 3

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Downturn as holiday tone takes hold

A MILD technical downturn sapped some of the strength displayed earlier in the week as Wall Street prepared itself for the Independence Day holiday, *writes Paul Hannon in New York.*

An early decline was prompted when sell programmes were triggered as premiums narrowed between some stock index futures and their underlying cash indices. The weakness occurred despite gains in the bond market after news that June unemployment fell to 7.1 per cent from 7.3 per cent for May.

The fall in the jobless figure fuelled further speculation that the Fed would cut the discount rate in an attempt to stimulate what is seen by many analysts as a flagging economy.

At 3pm the Dow Jones industrial average was down 9.70 at 1,899.33.

The shift by institutional investors to the sidelines ahead of today's market closure allowed some sharp early profit-taking across the broad market.

Interest remained strong in the high technology and consumer goods sectors.

ITT was the star attraction with its $1¼ gain to $57¼ in very heavy turnover in response to the telecommunications group's plan to merge part of its operations with the French state-owned CGE group.

Among other blue chips, American Express was unchanged at $62, General Electric was down $¾ at $80¾ while Procter & Gamble lost $¾ to $81.

Burroughs continued to shine after the $5½ gain of the previous session with another $1¼ advance to $68¾. Sperry, its new merger partner, held unchanged at $75¾.

IBM reversed some of Wednesday's gains with a $¾ fall to $148¾ in heavy trading, while NCR picked up $½ to $53 in active turnover.

Associated Dry Goods moved $¼ down to $88⅜ in renewed heavy trading as the market responded to the news that an investment group led by Mr Ivan Boesky had built up a 9.9 per cent stake. May Department Stores, which suffered a curt dismissal of its two takeover advances of Associated dipped $⅜ to $83⅝ after a strong late showing the previous day.

A&P, the supermarkets group, dipped $⅛ to $26⅝ despite higher first-quarter figures.

American Brands touched the $100 level with its $1½ advance on persistent rumours that the group was preparing a major buyback of shares at up to $115 each as part of a restructuring and bid defence.

Black & Decker, the electrical tools manufacturer, fell $⅝ to $19⅝ in heavy trading, while Pandick, the specialist printers, lost a further $⅞ to $17⅞ on large turnover following a flat earnings statement on Wednesday.

On the American Stock Exchange, Texas Air was one of the most active issues after announcing that it was in discussions with People Express, the troubled US carrier, about a possible takeover. Texas, which would become the largest North American airline if successful, advanced $1¾ to $34¾. People Express, traded on the over-the-counter market, added $1 to $7¾.

Elsewhere on the Amex, Lorimar Telepictures edged up $¼ to $29⅝ and Wang Laboratories dipped $⅛ to $14⅞.

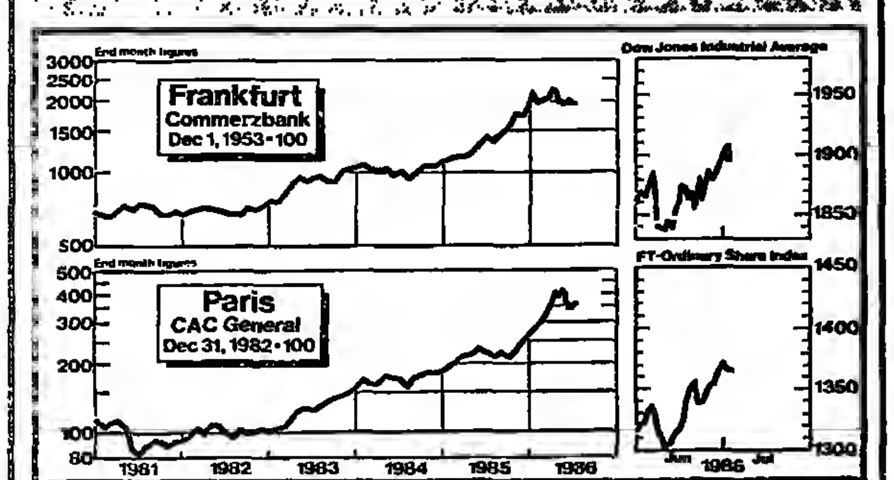
Bond prices firmed on the employment data leading to renewed speculation that the Fed would cut the discount rate. The Fed announced that it was buying $500m in Treasury bills for customer account.

The Treasury's bellwether 7¼ per cent long bond due in 2016 traded 13/32 higher to 100 23/32 while the 10-year 7¼ bond gained 19/32 to 100 17/32.

Federal funds changed hands at 8 13/16 per cent, down from an opening 6⅞ per cent.

Treasury bill rates fell with the three-month bill down 9 basis points to 5.90 per cent, while the six-month issue dropped 11 basis points to 5.84 per cent. The one-year bill fell 11 basis points to 5.89 per cent.

Corporate bonds firmed between ⅛ to ¼ in early trading while municipal bonds were steady to ⅛ higher.



STOCK MARKET INDICES

NEW YORK	July 3	Previous	Year ago
DJ Industrials	1,899.33*	1,909.03	1,326.39
DJ Transport	776.88*	780.63	675.09
DJ Utilities	200.10*	200.32	165.26
S&P Composite	251.35*	252.70	191.45
LONDON	July 3	Prev	Year ago
FT Ord	1,365.7	1,366.6	951.9
FT-SE 100	1,656.2	1,656.7	1,239.3
FT-A All-share	818.97	819.29	594.86
FT-A 500	900.63	900.56	648.25
FT Gold mines	199.4	198.2	405.7
FT-A Long gilt	9.27	9.36	10.56
TOKYO			
Nikkei	17,691.80	17,669.92	12,924.3
Tokyo SE	1,362.20	1,357.57	1,029.17
AUSTRALIA			
All Ord.	1,135.8	1,149.7	869.9
Metals & Mins.	498.8	487.0	510.4
AUSTRIA			
Credit Aktien	244.49	244.96	102.96
BELGIUM			
Belgian SE	3,697.77	3,680.78	2,333.91
CANADA			
Toronto			
Metals & Minls	2,087.3*	2,106.6	1,874
Composite	3,084.9*	3,089.9	2,719.3
Montreal			
Portfolio	1,557.92*	1,561.33	132.86
DENMARK			
SE	n/a	216.98	200.86
FRANCE			
CAC Gen	365.30	357.6	223.5
Ind. Tendance	141.40	136.3	82.3
WEST GERMANY			
FAZ-Aktien	629.57	635.18	495.03
Commerzbank	1,906.90	1,919.9	1,462.4
HONG KONG			
Hang Seng	1,757.58	1,760.21	1,598.16
ITALY			
Banca Comm	707.92	696.81	338.26
NETHERLANDS			
ANP-CBS Gen	291.00	289.0	218.1
ANP-CBS Ind	298.90	286.5	183.1
NORWAY			
Oslo SE	357.68	358.66	324.32
SINGAPORE			
Straits Times	739.90	749.75	765.17
SOUTH AFRICA			
JSE Golds	-	1234.3	957.9
JSE Industrials	-	1175.1	976.8
SPAIN			
Madrid SE	169.25	169.11	81.05
SWEDEN			
J & P	2,488.71	2,448.64	1,320.01
SWITZERLAND			
Swiss Bank Ind	559.90	580.5	453.0
WORLD	July 2	Prev	Year ago
MS Capital Int'l	330.20	329.8	215.8

COMMODITIES

(London)	July 3	Prev
Silver (spot fixing)	327.55p	331.05p
Copper (cash)	£910.50	£905.50
Coffee (September)	£1,633.50	£1,692.50
Oil (Brent blend)	$10.15	$10.65

GOLD (per ounce)

	July 3	Prev
London	$344.00	$343.25
Zurich	$344.00	$343.30
Paris (fixing)	$345.34	$345.82
Luxembourg	$343.80	$344.25
New York (Aug)	closed	$344.90

CURRENCIES

	US DOLLAR		STERLING	
(London)	July 3	Previous	July 3	Previous
$	–	–	1.546	1.537
DM	2.1735	2.1885	3.360	3.365
Yen	161.35	163.35	249.50	251.25
FFr	6.95	6.9825	10.7450	10.7325
SFr	1.7670	1.7835	2.7325	2.7425
Guilder	2.4460	2.4605	3.7825	3.7825
Lira	1,492	1,499	2,306.5	2,304
BFr	44.45	44.65	68.70	68.65
C$	1.3785	1.3775	2.13025	2.1185

INTEREST RATES

	July 3	Prev
Euro-currencies (3-month offered rate)		
£	10	9 15/16
SFr	4⅞	5 1/16
DM	4⅝	4⅝
FFr	7 3/16	7 7/16
FT London Interbank fixing (offered rate)		
3-month US$	8 13/16	8 13/16
6-month US$	8 13/16	8 13/16
US Fed Funds	6 13/16*	6 13/16
US 3-month CDs	6.40*	6.625
US 3-month T-bills	5.895*	6.01

US BONDS

Treasury

		July 3 Price	July 3 Yield	Prev Price	Prev Yield
7⅞	1988	100 19/32	6.793	100 19/32	6.795
7¼	1993	99 27/32	7.307	99 25/32	7.318
7⅜	1996	100 7/32	7.364	100 1/16	7.365
7¼	2016	100 19/32	7.223	100 19/32	7.223

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	July 3* Day's change	Yield	Day's change
1–30	153.31	+0.56	7.35	–0.08
1–10	145.42	+0.39	7.18	–0.09
1– 3	136.72	+0.21	6.86	–0.09
3– 5	147.27	+0.44	7.38	–0.09
15–30	181.68	+1.17	7.93	–0.06

Source: Merrill Lynch

Corporate	July 3* Price	July 3* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	90½	6.63	90⅜	6.63
SCBT South Central				
10⅞ Jan 1993	106⅞	9.54	106⅝	9.56
Phibro-Sal				
8 April 1996	98½	8.15	98¼	8.18
TRW				
8⅜ March 1996	103	8.30	102⅝	8.34
Arco				
9⅞ March 2016	105⅛	9.35	104.65	9.41
General Motors				
8⅛ April 2016	92.41	8.85	92.41	8.85
Citicorp				
9⅜ March 2016	97.87	9.59	97.87	9.59

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	100-04	100-06	99-08	99-11
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94.49	94.49	94.38	94.39
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	n/a	n/a	n/a	93.77
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	93.51	93.51	93.44	93.45
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	123-28	123-29	123-00	122-24

* Latest available figures

LONDON

GOVERNMENT STOCKS continued to relish their freedom from capital gains tax and longer maturities achieved good rises for the second consecutive session in London.

Interest among equities centred on the market debut of Morgan Grenfell, the merchant bank which is developing its financial services arm. Its shares began trading at 518p, but later dropped to 480p before steadying to close at 484p, a discount of 15p on the 500p striking price.

An air of disappointment gradually enveloped other market sectors and the FT Ordinary index closed 0.9 down on the session at 1385.7, after having been a net 2.5 higher earlier in the session.

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HONG KONG

HEAVY PROFIT-TAKING eroded early gains in Hong Kong leaving the market to close mixed. The Hang Seng index which advanced more than 12 points during the morning, slipped back to end a net 2.63 lower at 1,757.58.

Hongkong Wharf and World International were actively traded amid expectations that HK Wharf would turn in sharply higher full-year figures and renewed speculation of a merger of the two. HK Wharf shed 5 cents to HK$8.95 and World International was 2 cents lower at HK$2.60.

Properties and traders held firm. Jardine Matheson put on 40 cents to HK$13.40 and Hutchison Whampoa 10 cents to HK$28.90.

AUSTRALIA

CONCERN that interest rates may soon rise as part of Government moves to shore up the local dollar prompted heavy selling of industrial stocks that left Sydney lower. At the close, the All Ordinaries index was down 13.9 at 1,135.8.

Among major losers, Bell Group fell 60 cents to A$8.20, Bell Resources 25 cents to A$3.90 and Bond Corp 11 cents to A$3.07.

Resources stocks were mixed with some stocks deriving benefit from the dollar's weakness. Among golds, Kidston fell 6 cents to A$5.90 following the news that Elders Resources had sold its 15 per cent stake.

SINGAPORE

A LACK of fresh demand and profit-taking in some issues left Singapore lower.

The Straits Times industrial index fell 9.85 to 739.9. Wednesday's index was corrected to 749.75 from the previously reported 757.06.

Singapore Airlines continued to lose ground, down 15 cents to S$7.15, in further reaction to its denial of reports that it planned to raise the limit on foreign ownership of its shares.

Other actively traded issues included Promet, 3 cents lower at 54 cents, Sime Darby, down 2 cents at S$1.57 and UIC, 4 cents easier at S$2.09.

SOUTH AFRICA

GOLD SHARES eased back in Johannesburg with a lack of fresh incentives leaving trading at a low level.

Randfontein lost R4 to R278, Harmony R1 to R32 and Elsburg 20 cents to R6.40.

Elsewhere, Anglo American fell 75 cents to R46.25 and Rustenburg Platinum 50 cents to R37.50.

De Beers was 20 cents lower at R27.70 ahead of diamond sales figures from its central selling organisation, scheduled to be released after the close of stock market trading.

CANADA

MODERATE DECLINES were registered in Toronto with metals and mines, golds and oils turning lower.

Industrials resisted the trend, however, with CAE Industries adding C$⅞ to C$12½ and Pacific Western Airlines C$½ ahead at C$16.

Laidlaw put on C$½ to trade at C$20½ after announcing it had aquired six waste removal companies and six school bus groups.

TOKYO

Short-term strategies predominate

SHARE PRICES advanced moderately in Tokyo yesterday to another new high, although some early gains were eroded by late profit-taking pressure, again triggered by concern over high price levels, *writes Shigeo Nishiwaki of Jiji Press.*

The advance was paced by low-priced, large-capital stocks, such as Ishikawajima-Harima Heavy Industries and Nippon Kokan. Trading houses and motor-related issues were also in demand.

The Nikkei average, which gained 78 points at one stage, ended a net 21.88 higher at 17,691.80. Volume swelled to 1.06bn shares from Wednesday's 831m, and advances outran declines by 466 to 417, with 118 issues unchanged.

Concern over a possible tightening of margin trading controls remains strong. But many investors believe that the Government and the Tokyo stock exchange would not take any measures, which could have an adverse impact on the stock market, until after Sunday's elections for both houses of the Diet (parliament). Trading strategy has, therefore, been to seek short-term capital gains.

On the trading floor, Nippon Kokan topped the active list with 111m shares changing hands. The issue rose Y3 at one stage, but came under profit-taking pressure later to end at Y194, unchanged from the previous day.

Ishikawajima-Harima Heavy Industries was the second busiest issue with 95m shares traded, and gained Y4 to Y338, while Tokyo Gas, third with 64m shares, closed Y13 higher at Y509. These issues were in demand by institutional investors and business corporations.

Buying interest in trading houses revived. C. Itoh rose Y27 to Y610, and Mitsubishi gained Y25 to Y902. Mitsui added Y6 to Y517 and Seika Sangyo Y22 to Y517.

Cements got off to a steady start, but came under selling pressure later. Nihon Cement closed Y26 lower at Y662 and Onoda Cement shed Y4 to Y534. But Osaka Cement gained Y12 to Y407.

Electric wires continued to attract strong buying interest, with Showa Electric Wire and Cable rising Y27 to Y508, Furukawa Electric Y7 to Y503 and Fujikura Y1 to Y661.

Trading in issues related to the Government's fiscal investment and loan program was relatively slow. But Ohbayashi gained Y9 to Y676 and Toda Construction rose Y35 to Y575.

Bond prices firmed as the yen's rise generated expectations of a fourth official discount rate cut this year. But institutional investors retreated to the sidelines due to uncertainties over the market direction.

The yield on the 6.2 per cent government bonds, maturing in July 1995, fell sharply to 4.72 per cent from Wednesday's 4.79 per cent. The 5.1 per cent government bonds, falling due in March 1996, yielded 4.96 per cent, a steep decline from 5.03 per cent.

EUROPE

Stockholm advances to record

AN OPTIMISTIC mood continued in most European bourses yesterday as expectations of easier interest rates remained to buoy sentiment.

Stockholm *surged higher and prices* reached new peaks, brushing aside concern over the 1 point rise to 2 per cent of stamp duty on share trades.

The J & P share index jumped 38.07 to a record 2,486.71, while the Veckans Affarer all-share index posted an 8.8 point advance to 843.9 on turnover up at SKr 321m from Wednesday's SKr 237m.

Volvo gained SKr 9 to SKr 404 – its US retail deliveries were up 21 per cent in the six months to June from the year-ago figure – and Electrolux put on a similar amount to SKr 288.

Alfa-Laval, the farm engineering group which has agreed in principle to purchase the Satt-control unit of Boliden, advanced SKr 1 to SKr 334.

Against the trend, Ericsson slipped SKr 1 to SKr 249.

Frankfurt dipped broadly lower as summer holidays kept interest in the market to a minimum. The Commerzbank index declined 13 points to 1,906.9.

Concern that the dollar might fall even further kept foreign investors on the sidelines.

News that the Bundesbank Council had decided against changing its monetary policy came as no surprise to investors.

Profit-taking pushed car issues lower with Daimler off DM 30 at DM 1,316 after a DM 12 dividend

VW, which incurred the wrath of investors after the Government announced on Monday it would sell its remaining stake in the car company, fell a further DM 10 to DM 501. So far this week, the issue had lost DM 42 against a rise of only DM 5 on Wednesday.

Utility issue Veba, also suffering the same privatisation fate, dropped DM 6 to DM 266 – a loss of DM 15.50 this week against a gain of DM 3.

Retailer Kaufhof shed DM 12 to DM 453 after paying DM 7 as its dividend, while metals and energy group Preussag fell DM 16 to DM 173

Mannesmann fell DM 6.20 to DM 202.80 and said it expects earnings to fall in 1986.

Bond market operators were sidelined ahead of the Bundesbank Council's meeting and prices ended a quiet session mixed.

The Bundesbank sold DM 25.9m worth of domestic paper after buying a small DM 4.1m in the previous session.

The West German Stock Exchange working group to co-ordinate policies between domestic bourses has appointed Mr Rudiger von Rosen as managing director.

The country has also standardised its rules for broken-period interest accounting on fixed-interest securities and brought it into line with international practices.

Paris gained from the softer dollar and foreign purchasers were active alongside institutions which appeared to be reinvesting recent dividends.

Banks moved higher on expectations of lower interest rates and Cie Bancaire at FFr 1,128 was FFr 30 higher.

Matra, which has signed an agreement to merge its telecommunications business with the state-owned CGCT, added FFr 52 to FFr 2,485 while Elf Aquitaine recorded a 6 per cent rise at FFr 293, up FFr 17.

Amsterdam was buoyed by interest rate hopes. Bank ABN firmed Fl 6 to Fl 595.50 on speculation of a possible US listing, while Royal Dutch fell Fl 1.60 to Fl 195.20, dampened by the inconclusive Opec meeting.

Bonds were generally unchanged.

Milan rose as a solution to the political situation seemed imminent. Insurers and engineers made the biggest advances.

Zurich ended narrowly mixed while bonds rose slightly and Brussels began the new 15-day trading period on a higher note.

Madrid was also marginally higher.